

THE RATIONALES FOR THE EXIT OF MAJOR OIL COMPANIES FROM NIGERIA: A CRITICAL ANALYSIS*

Abstract

The exit of major oil companies from Nigeria is a significant development with profound economic, regulatory, and environmental implications. This study explores the key factors driving this trend, including declining profitability, high operational costs, security threats, and regulatory uncertainties. Oil theft, pipeline vandalism, and militant activities in the Niger Delta have created an unstable operating environment, forcing companies to reconsider their investments. Additionally, increasing global pressure to transition to renewable energy, coupled with Nigeria's infrastructure deficiencies and legal challenges, has further contributed to this exodus. Many companies are shifting focus to deepwater exploration, which presents fewer security and community-related risks. The departure of these oil majors raises concerns about Nigeria's economic stability, government revenue, and employment rates. To mitigate these challenges, Nigeria must implement policies that enhance investment security, improve infrastructure, and promote a favorable regulatory environment.

Keywords: Oil companies exit, economic implications, deep water exploration, foreign investment, energy policy

1. Introduction

Nigeria, endowed with vast hydrocarbon resources, stands as the second-largest producer of oil and gas in Africa, surpassed only by Angola. The Niger Delta Basin, which forms the hub of Nigeria's petroleum activities, produces two primary grades of crude oil: the relatively light variant (around 36° API gravity) and the heavier grade (20–25° API gravity), both characterized by low sulfur content and high paraffin levels.¹ Since the discovery of oil in Oloibiri in 1956 and the commencement of commercial production in 1958, petroleum has evolved into the cornerstone of Nigeria's economy, accounting for the majority of its export earnings, government revenue, and foreign exchange. By 2010, Nigeria was exporting about one million barrels of crude oil per day to the United States, representing nearly 40% of its total exports and 9% of all U.S. petroleum imports.² The strategic significance of the oil sector cannot be overstated. For decades, petroleum revenues have fueled Nigeria's budgetary framework and infrastructural development while shaping its economic trajectory. As of 2021, the oil and gas industry contributed roughly 9% of Nigeria's Gross Domestic Product (GDP) and over 90% of its foreign exchange earnings, underscoring the nation's heavy dependence on hydrocarbons.³ This dependence, however, has also exposed Nigeria to the inherent volatility of global oil markets and the multifaceted challenges of resource governance.

In recent years, a notable shift has occurred in the composition of stakeholders within Nigeria's petroleum sector: several international oil companies (IOCs) with decades-long operational histories, including Shell, ExxonMobil, and TotalEnergies, have initiated divestment from onshore and shallow-water assets.⁴ These exits whether partial or complete are not mere corporate portfolio adjustments; they signify profound economic, security, environmental, and regulatory dynamics at play. The drivers include high operational costs, declining profitability, persistent oil theft, pipeline vandalism, militant activity in the Niger Delta, and the rising global momentum toward renewable energy. Simultaneously, the emergence and expansion of indigenous oil companies have altered the competitive landscape, catalyzed by local content policies and shifting governmental priorities.⁵ Given the centrality of the petroleum sector to Nigeria's socio-economic stability, the withdrawal of major oil companies raises critical questions: How will this affect government revenue, employment, foreign investment, and technical expertise? What environmental liabilities will remain unresolved, and who will bear responsibility for remediation? How will the reallocation of assets to indigenous operators influence production efficiency, community relations, and sustainability?

This paper critically examines these questions by analyzing the underlying rationales for the exit of major oil companies from Nigeria and the attendant implications. Structured into six parts, it begins with an overview of Nigeria's oil industry, followed by an exploration of the economic importance of IOCs. It then interrogates the multi-dimensional factors economic, security-related, legal, environmental, and strategic driving corporate divestment. The study further considers the purposes and significance of discussing this transition, offers targeted policy recommendations, and concludes with reflections on the path toward a more resilient and sustainable petroleum industry in Nigeria. For proper understanding of the subject matter under review the paper is divided into seven parts including the introduction and the background, Part 2 examines the importance of major oil companies in Nigeria's economy, part three on the other hand examines in depth the rationales for the exit of major

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¹ L Michael et al, 'The Niger Delta Petroleum System: Niger Delta Province, Nigeria, Cameroon, and Equatorial Guinea, Africa' (U. S. Department Of The Interior, U.S. Geological Survey, 2024) available at <<https://pubs.usgs.gov/of/1999/ofr-99-0050/OF99-50H/ChapterA.html>> accessed August 10, 2025

² Ibid

³ Nigeria Extractive Industries Transparency Industries, 'Key Highlights of 2021 Oil & Gas Industry Report: Public Disclosures, Revenue Generation and Impact' (2021) available at <<https://eiti.org/sites/default/files/202401/Summary%202021-Oil-Gas-Industry-Report-Presentation.pdf>> accessed August 10, 2025

⁴ Mary Izuaka, 'Nigerian regulator approves four major oil divestments, rejects one' (Premium Times Newspaper. Oct 21, 2024) available at <<https://www.premiumtimesng.com/business/business-news/747395-nigerian-regulator-approves-four-major-oil-divestments-rejects-one.html?tztc=1>> accessed August 10, 2025

⁵ A.F Tonye, P.M Mazzacano and I.O Matthew, 'Multinational Oil Companies' Onshore Asset Divestment and Oil Production in Nigeria' *International Journal of Research* (2025) 12(3)

oil companies from Nigeria, which is the crux of this paper, part four reviews the purpose of discussing the exit of major oil companies from Nigeria, the fourth part proposes our recommendations to the stated problems and finally conclusion.

2. Background On Nigeria's Oil Industry

After about fifty years of exploration, there was a discovery of oil in Nigeria in 1956 in Oloibiri in the Niger Delta. This discovery was made by Shell-BP, which was the only concessionaire at the time. Nigeria became an oil producing nation in 1958 when her first oil field began to produce about 5,100 barrels per day. This was a pioneer production at Shell D'Arcy Petroleum's oil field in Oloibiri, Eastern Niger Delta, after the firm discovered crude oil. Some other international corporations were granted exploration rights in the onshore and offshore regions around the borders of Niger Delta after 1960. Exploration and Appraisal filed was discovered by Shell in shallow seas around the southeast of Warri, 1965. It is pertinent to mention that E&A activities are extremely important to identify and assess potential oil and gas resources or field, thereby helping corporations make appropriate informed decisions about their production and development. Nigeria made immediate profits and revenues from its oil export in 1970, when the Biafran war came to an end and the price of oil rose globally. The Nigerian National Petroleum Company (NNPC), a state-owned and regulated business that is a significant player in both the upstream and downstream sectors, was founded in 1977 after Nigeria joined the Organization of Petroleum Exporting Countries (OPEC) in 1971. Nigeria attained a high production level of more than 2 million barrels of crude oil per day by the late 1960s and early 1970s. There was a decline in production throughout the 1980s due to the economic downturn, however, oil production completely ameliorated in 2004 and reached an overwhelming record of 2.5 million barrels per day. It is no news that Nigeria's economy is heavily reliant on the production and export of petroleum, which generates over 90% of its gross domestic product, crude oil also accounts for about 65% of government revenue. Agriculture, which was regarded as the economy's traditional backbone from the early 1950s and 1960s, is currently being pushed to the sidelines by the dominant position of crude oil unfortunately.⁶

The structure of the Nigerian oil industry includes the upstream sector which focus is on exploration and production of petroleum. The major players in this sector include the international oil companies (IOCs) like Shell, Chevron, ExxonMobil, TotalEnergies. These IOCs operate through joint ventures with NNPC.⁷ In addition to the upstream sector, there is the downstream sector which involves refining and distribution process of the petroleum products that has been explored and produced. The capacity to refine is expected to significantly ameliorate with projects like the Dangote refinery.⁸ This expectation is present because Nigeria has four refineries owned by the government. There refineries are located in Port-Harcourt, Warri and Kaduna respectively. However, record has it that they have performed below capacity for some reasons like poor maintenance, corruption, inefficiencies in operation for decades. As a result of this under performance sponsored by the above reasons, Nigeria has resulted to importation of a large percentage of her redefined petroleum products. Finally, the Nigeria's petroleum industry is regulated and controlled by several important agencies like NNPC, the ministry of Petroleum Resources, Nigerian Upstream Petroleum Regulatory Commission (NUPRC)⁹. These agencies are responsible for the formation of policies, enforcement and oversight. Presently, the law which regulates the industry is the Petroleum Industry Act (PIA), which was enacted in August 2021. This Act seeks to reorganize the sector by enhancing transparency, promoting the creation of local content, and redefining host community ties.¹⁰

3. Importance of Major Oil Companies in Nigeria's Economy

Technical Expertise: These oil companies possess and have easy access to advanced and highly innovated technology. They perform exploration, drilling, and production operations by utilizing and taking advantage of advanced technology such as artificial intelligence (AI), data analytics, and the Industrial Internet of Things (IIoT).¹¹ These operations have been significantly improved by AI-powered systems, such as improved refinery conditions to boost the production of high-value petroleum products.¹² Furthermore, these major oil companies have capacities to manage complicated and tasking projects in difficult circumstances, such deepwater drilling or Arctic operations, thanks to their profound technical ability and expertise. For these high-level risky endeavors, they create and implement specific and strategic engineering solutions.¹³ Everything that takes place in the oil industry should be geared towards operational excellence (OE), and this is more crucial and pertinent more than ever for executives in the oil and gas industry. To achieve this, they invest excessively in building a workforce of highly skilled experts in engineering, environmental science and digital technologies.¹⁴ Additionally, the implementation of defined and

⁶ Azeezat Kazeem 'History of The Nigerian Petroleum Industry' (2020) available at <<https://www.linkedin.com/pulse/history-nigerian-petroleum-industry-kazeem-azeezat>> accessed March 24, 2025

⁷ KPMG Professional Services 'Nigeria's Oil and Gas Industry Brief' (2014) available at <<https://s3.amazonaws.com/rgi-documents/807cb4d6f40af92c55d9a0cd4aed6c942cb08537.pdf>> accessed March 24, 2025

⁸ PricewaterhouseCoopers 'Redefining the Nigerian oil and gas landscape' available at <https://pwc-nigeria.typepad.com/files/the-petroleum-industry-act-insights-series_august-2021.pdf> accessed March 24, 2025

⁹ n (5)

¹⁰ n (6)

¹¹ Hansmann T, Tan, Zhou and others 'Harnessing volatility: Technology transformation in oil and gas' (2022) available at <https://www.mckinsey.com/capabilities/operations/our-insights/harnessing-volatility-technology-transformation-in-oil-and-gas/> accessed March 26, 2025

¹² Ibid

¹³ John McCreery, Ethan Phillips and Francesco Cigala, 'Operational excellence: The imperative for oil and gas companies' available at <https://www.bain.com/insights/operational-excellence-the-imperative-for-oil-and-gas-companies/> > accessed March 26, 2025

¹⁴ Brenen Blair, Jim Claunch, and Emily Emmett, 'Creating the Workforce for an Oil and Gas Industry in Transition' available at <<https://www.bain.com/insights/creating-the-workforce-for-an-oil-and-gas-industry-in-transition/>> accessed March 26, 2025

methodical procedures is the way in which major oil corporations achieve operational excellence. In operations like exploration, refining, and maintenance, these procedures has the capacity to improve safety, dependability, and cost-effectiveness.¹⁵ In resource-dependent economies like Nigeria, technical know-how is not only a competitive advantage for oil corporations but also a very crucial factor responsible for fostering sustainable operations and the expansion of economies.

Foreign Investment: The importance of major oil companies can be vividly seen in the aspect of foreign investment Nigeria receives substantial foreign direct investment (FDI) from large oil companies, many of which are international corporations. To achieve large-scale infrastructure, production, and oil exploration projects, huge sum of money is required which ordinarily Nigeria cannot fund without external investment.¹⁶ FDI has, however, decreased in recent times because of regulatory obstacles and foreign corporations' divestitures.¹⁷ The impact of these foreign investment on Nigeria's economy and the oil industry is evident in the boost of the local economies, job created and the revenue it brings for the government.¹⁸ Nigeria is working to increase its attractiveness to investors in spite of the drop in foreign direct investment.¹⁹ Foreign investment makes it a lot easier for local and foreign businesses to collaborate and work hand in hand, giving Nigerian businesses access to international markets and knowledge.²⁰

Foreign Exchange Earnings: Nigeria is heavily dependent on the sale and the revenue that comes from oil and gas to finance its budgets and economic growth, therefore foreign exchange profits are important for the country's big oil business. The petroleum industry contributes approximately 95% of Nigeria's foreign exchange earnings and 85% of the government's revenue.²¹ Foreign earnings from oil sales helps Nigeria fund its budgets, service debt, and generally develop its economy.²² Nigeria's over-reliance on oil, vis-a-vis the volatility of the oil market, exposes the Nigerian economy to external shocks from the oil market.²³ This is to say that when the oil market experiences shock like a price drop, it can have a significant ripple effect on the economy as a result of her over dependence, thereby being exposed to external factors beyond her control and prediction. The involvement of international oil companies has been a very important element and part of Nigeria's revenue, as these companies have invested significantly in Nigeria's oil and gas value chain, which in turn have generated the bulk of Nigeria's foreign earnings.

4. The Rationales behind the Exit of Major Oil Companies in Nigeria

One of the primary economic factors influencing the exit of major oil companies from Nigeria is the declining profitability of onshore operations. Global oil price volatility has significantly impacted revenue generation in Nigeria's oil sector. For instance, periods of low crude oil prices have reduced margins for IOCs, making it less attractive to continue operating in high-risk environments like the Niger Delta. Additionally, oil theft and sabotage have exacerbated operational costs, further eroding profitability. Between January 2021 and February 2022 alone, Nigeria lost over \$3.3 billion to crude oil theft, according to the Nigerian Upstream Petroleum Regulatory Commission (NUPRC).²⁴ These losses make it increasingly difficult for IOCs to sustain profitable operations in the region. Operating in Nigeria's onshore oil sector involves significant financial risks due to infrastructure challenges, security concerns, and environmental liabilities. The Niger Delta is plagued by frequent leaks caused by aging infrastructure and sabotage, resulting in high maintenance and repair costs²⁵ Furthermore, regulatory requirements for cleanup and compensation add additional financial burdens.

International oil companies have adopted divestment strategies to optimize their portfolios and improve operational efficiency. In Nigeria, this involves selling off onshore assets that are plagued by challenges such as oil theft, vandalism, aging infrastructure, and high maintenance costs. For example: shell has divested its 30% interest in 19 Oil Mining Leases (OMLs) held by its Nigerian subsidiary to Renaissance consortium for \$2.4 billion²⁶, ExxonMobil is in the process of selling its onshore

¹⁵ n (11)

¹⁶Lloyds Bank's International Trade Portal, 'Foreign Direct Investment (FDI) in Nigeria' (2025) available at <<https://www.lloydsbanktrade.com/en/market-potential/nigeria/investment>> accessed March 28, 2025

¹⁷Oladehinde Oladipo 'Nigeria's oil sector turns ghost town as FDI vanishes' (2024) available at <<https://businessday.ng/energy/article/nigerias-oil-sector-turns-ghost-town-as-fdi-vanishes/>> accessed March 28, 2025

¹⁸ n (14)

¹⁹ Emmanuel Addeh 'FG Confirms \$2 Billion Investment Boost in Oil and Gas, Cites Tinubu's Executive Orders' *Arise News* (arch 22nd 2025) available at <<https://www.arise.tv/fg-confirms-2-billion-investment-boost-in-oil-and-gas-cites-tinubu-executive-orders/>>

²⁰ Onome Amuge 'Nigerian oil companies capitalise on major onshore opportunities as foreign giants exit' (2025) available at <https://www.businessamlive.com/nigerian-oil-companies-capitalise-on-major-onshore-opportunities-as-foreign-giants-exit/> accessed March 28, 2025

²¹ Mkpoikana Udoma 'Petroleum industry contributes 95% of Nigeria's foreign exchange earnings' (2025) available at <<https://sweetcrudereports.com/petroleum-industry-contributes-95-of-nigerias-foreign-exchange-earnings/>> accessed April 1, 2025

²² Adeleke Alao, Abdulmajeed Abolaji and Tolu Adetimihin, 'Between Safeguarding Nigeria's Economy and Offshore Transfer of Oil Export Proceeds: A Historical Overview of Nigeria's Repatriation Policies on Foreign Currency Earnings by International Oil Companies' *Dentos* (2024) available at <file:///C:/Users/MARVEL/Downloads/Between_Safeguarding_Nigerias_Economy_and_Offshore_Transfer_of_Oil_Export_Proceeds.pdf> accessed April 1, 2025

²³ Attahir B, 'Oil Price and Exchange Rate Nexus in Nigeria: Are there Asymmetries' *CBN Journal of Applied Statistics* (2019) 10 (1)

²⁴ (n 22)

²⁵ ibid

²⁶ Kingsley Jeremiah, 'FG opts for conditional divestment as oil majors trade \$4.5b assets' *The Guardian Newspaper* (January 17, 2024) available at <<https://guardian.ng/news/fg-opts-for-conditional-divestment-as-oil-majors-trade-4-5b-assets/>> accessed April 2, 2025

assets to Seplat Energy for \$1.3 billion²⁷. These divestments allow IOCs to refocus their resources on higher-margin projects, such as deepwater operations, which offer greater security and profitability compared to onshore ventures.

In addition, Nigeria's reliance on fossil fuels makes its economy vulnerable to global oil price fluctuations. Declining profitability due to price volatility has pushed IOCs to reconsider their investments in the region. Between 2014 and 2022, Nigeria's annual upstream capital expenditure fell by over 74%, from \$27 billion to less than \$6 billion.²⁸ This steep decline reflects the shrinking attractiveness of Nigeria's oil sector amid competition from regional producers. Nigeria's crude oil production costs are among the highest globally, ranging from \$25 to \$48 per barrel, significantly exceeding the OPEC+ average of around \$10 per barrel.²⁹ This high cost structure is driven by several factors like Aging pipelines and limited storage capacity lead to frequent operational disruptions and inefficiencies,³⁰ sabotage and oil theft,³¹ In contrast, countries like Saudi Arabia have much lower production costs, ranging from \$2 to \$9 per barrel, due to robust infrastructure and stable security environments.³² Similarly, countries such as Norway and the United States have costs of \$21 and \$24 per barrel, respectively.³³ These expenses may render operations less feasible in comparison to areas with lower costs, given the volatility of global oil prices. Due to this circumstance, big oil firms are encouraged to sell off their onshore assets in Nigeria in favor of more affordable places, discouraging investment.³⁴

Furthermore, major oil firms' departure from Nigeria is largely due to operational and security issues, specifically pipeline damage and oil theft. Nigeria is no longer a desirable place for foreign oil corporations (IOCs) to invest because of these problems, which have resulted in significant financial losses and operational inefficiencies. Oil theft and pipeline damage have caused Nigeria to suffer previously unheard-of losses. The nation lost almost 619.7 million barrels of crude oil between 2009 and 2020, which is worth N16.25 trillion (\$46.16 billion).³⁵ In recent years, the situation has worsened, with Nigeria losing about \$23 billion in oil revenue in 2022 alone due to theft.³⁶ Oil theft and pipeline vandalism are major problems in Nigeria's primary oil-producing region, the Niger Delta. In addition to causing monetary losses, these actions provide serious operational difficulties. Damaged pipes require ongoing maintenance and repairs, which takes resources away from vital functions and raises operating expenses. For example, Nigeria spent N471.49 billion on maintaining or repairing damaged pipelines between 2017 and 2021.³⁷

Furthermore, the environment for oil businesses is unpredictable because to the security dangers posed by vandalism and oil theft. This unpredictability deters investment and pushes IOCs to look for safer places to operate. Oil companies often attribute oil theft and vandalism to local communities, suggesting that these activities are perpetrated by residents seeking economic benefits³⁸ However, the problem is complicated, with both external and local players involved. These issues are made worse by ineffective governance and security measures, which make it challenging for oil corporations to run effectively and safely. Major oil corporations have decided to sell off their onshore assets in Nigeria due to the significant risks and expenses of oil theft and pipeline destruction. To circumvent these difficulties, corporations like as Shell and ExxonMobil are refocusing on deepwater activities or leaving the nation entirely.

Threats to worker safety, including kidnappings and sabotage, are significant rationales for the exit of major oil companies from Nigeria. In Nigeria's oil-producing regions, kidnappings of oil workers-especially foreigners-have been a recurring menace. These occurrences require expensive security measures in addition to directly endangering the safety of the workforce. For example, businesses have had to move families to safer areas and hire military escorts for expatriate employees, which has greatly increased operating costs.³⁹ Kidnappings of oil workers, particularly those who work for multinational corporations,

²⁷ *ibid*

²⁸ Eyo Eyo, 'The Paradox of Nigerian Crude Oil Divestment and Climate Change' (2023) available at <https://www.africa.com/the-paradox-of-nigerian-crude-oil-divestment-and-climate-change/> accessed April 2, 2025

²⁹ Tony Akowe, Abuja, 'Nigeria has highest global crude production cost', *The Nation Newspaper* (March 13, 2024) available at <https://thenationonlineng.net/nigeria-has-highest-global-crude-production-cost/> accessed April 2, 2025

³⁰ *ibid*

³¹ Oyeyemi Oke, 'Addressing Nigeria's rising crude production cost' *CNBC Africa* (February 07, 2025) <https://www.cnbcafrica.com/media/6368430916112/addressing-nigerias-rising-crude-production-cost/> accessed April 2, 2025

³² n 32

³³ Dirisu Yakubu 'Nigeria's \$48 per barrel oil production cost, global highest- Faleke' (January 02, 2024) *Punch Newspaper*,

³⁴ Dare Olawin, 'Stakeholders worry as Nigeria spends N18tn on crude production annually' *Punch Newspaper* (February 10, 2025) available at <https://punchng.com/stakeholders-worry-as-nigeria-spends-n18tn-on-crude-production-annually/> available April 2, 2025

³⁵ Cynthia Egboboh, 'Nigeria lost over N16trn to crude oil theft, pipeline vandalism in 11yrs — NEITI' *Cynthia Business Day* (November 7, 2023) available at <https://businessday.ng/energy/oilandgas/article/nigeria-lost-over-n16trn-to-crude-oil-theft-pipeline-vandalism-in-11yrs-neiti/> accessed April 2, 2025

³⁶ Fidelis Mbah, 'In Nigeria's crude capital, a plan to win the war against oil theft' *Aljazeera* (December 10, 2024) available at <https://www.aljazeera.com/news/2024/12/19/in-nigerias-crude-capital-a-plan-to-win-the-war-against-oil-theft> accessed April 2, 2025

³⁷ 'Oil theft costs Nigeria N4.3tn in five years, NEITI reveals' *Business day* (November 7, 2023) available at <https://businessday.ng/news/article/oil-theft-costs-nigeria-n4-3tn-in-five-years-neiti-reveals/> accessed April 2, 2025

³⁸ Business and Human Right Resource Centre, 'Nigeria: Oil companies blame local communities for oil theft and pipeline vandalism' (2024) available at <https://www.business-humanrights.org/en/latest-news/nigeria-oil-companies-blame-local-communities-for-oil-theft-and-pipeline-vandalism/> accessed April 2, 2025

³⁹ Ukiyedeikimie Ugo Moses And Otobo Daniel, 'The Impact of Insurgency on Oil Multinationals in the Niger Delta and Energy Security of Nations, 1999-2009' *International Journal of Humanities Social Science and Management (IJHSSM)* (2024) 4 (2) 982-990

have persisted in recent years. These incidents deter foreign investment in Nigeria's oil industry and erode trust in the security situation.⁴⁰

In Nigeria, sabotage and pipeline vandalism are commonplace; estimates place the number of oil spills in the region at about 80%.⁴¹ These actions raise operating costs by causing prolonged shutdowns and expensive repairs in addition to harming the environment. Due to militant activity, the Niger Delta, which produces a large portion of Nigeria's oil, has seen multiple disruptions. Significant production losses have resulted from these delays; in 2014, Shell alone lost 370,000 barrels per day in its Western Operations.⁴² For Nigerian oil corporations, the combination of sabotage and kidnappings has a significant financial impact. In comparison to other regions, the expenses incurred for ransom payments, improved security measures, and infrastructure restoration reduce profitability and operational viability. Furthermore, foreign direct investment in Nigeria's oil industry has been suppressed by these security risks. Concerns have been raised by unions and industry representatives regarding the growing insecurity, which impacts not just production costs but also employee confidence and morale.⁴³ Nigeria's onshore operations are losing the attention of big oil firms as a result of these difficulties. Many are selling these assets in order to focus on cleaner energy or deepwater drilling projects, which provide more security and profitability.⁴⁴

In addition to the above, regulatory and legal concerns are significant reasons for major oil firms' exodus from Nigeria, owing to a complicated and unclear regulatory framework. The licensing process for Nigeria's oil and gas industry involves up to 20 federal agencies, creating a maze of red tape. Due to the numerous government agencies that businesses must deal with, this regulatory mess leads to inefficiencies and deters new investments.⁴⁵ These institutions' competing mandates and overlapping duties discourage new investments and drive prospective investors to smaller oil-producing countries.⁴⁶ Legal issues pertaining to community conflicts and environmental deterioration confront large oil companies. There are now serious worries about the possibility of lawsuits related to previous oil disasters and the necessity of addressing environmental obligations prior to leaving. The cases of communities requesting compensation for environmental damage have been bolstered by recent developments in international tribunals.⁴⁷

Nigeria's regulatory landscape is frequently erratic due to frequent modifications to laws and regulations. Oil businesses find it difficult to plan long-term investments because of this uncertainty. The Nigerian Upstream Petroleum Regulatory Commission (NUPRC) was established in 2021 as a result of the Petroleum Industry Act (PIA), which attempted to address some of these problems; nonetheless, additional efforts are required to stabilize the regulatory environment.⁴⁸ The regulatory chaos discourages new investments and hinders the growth of existing projects, depriving Nigeria of much-needed economic benefits. This circumstance emphasizes the necessity of regulatory changes to improve openness, lessen corruption, and streamline the oil and gas project approval procedure.⁴⁹

Oil firms in Nigeria are subject to high taxes and royalties, which can reduce their profitability. For example, according to NEITI, as of August 2024, oil corporations owe the Federal Government over \$6.175 billion in outstanding royalties and taxes. Many businesses find their operations less sustainable as a result of this financial burden and the volatility of oil prices worldwide. There is frequently uncertainty surrounding the enforcement of tax and royalty payments, which can result in disagreements and even legal issues. For instance, in order to settle unpaid obligations, the House of Representatives has requested proof of tax and royalty payments from oil firms⁵⁰. Reducing investment in the oil sector can result in lower government revenue and slower economic growth. Resolving these fiscal and regulatory issues is essential to preserving a competitive oil industry and guaranteeing sustainable economic development. Nigeria's economy is significantly impacted when major oil companies leave the country due to high taxation and compliance costs.

The shift in global energy priorities is not neglected as a reason for the exit of major oil companies from Nigeria. The rise of renewable energy sources, such as solar, wind, and hydroelectric power, is changing the global energy picture. Governments, corporations, and consumers are focusing on low-carbon solutions to prevent climate change and cut greenhouse gas emissions.

⁴⁰S-RM Intelligence and Risk Consulting 'A Crude Reality: Security Risks and the Oil and Gas Sector' (2019) available at <<https://gsi.s-rminform.com/articles/a-crude-reality-security-risks-and-the-oil-and-gas-sector>> accessed April 2, 2025

⁴¹ ibid

⁴² N (32)

⁴³Staff Reports with Eklavya Gupte 'Nigeria's oil industry at risk as security threats increase' (2021) available at <https://www.spglobal.com/commodity-insights/en/news-research/latest-news/crude-oil/082721-nigerias-oil-industry-at-risk-as-security-threats-increase> accessed April 2, 2025

⁴⁴ Ibid

⁴⁵Dipo Oladehinde, 'Five traps Nigeria's energy sector must avoid (January 15, 2025) *Business Day* <https://businessday.ng/big-read/article/five-traps-nigerias-energy-sector-must-avoid/> accessed April 2, 2025

⁴⁶ ibid

⁴⁷ Olumide Adeshina 'Oil giants depart from Nigeria's onshore assets' (2024) available at <https://african.business/2024/02/energy-resources/oil-giants-depart-from-nigerias-onshore-assets> accessed April 1, 2025

⁴⁸ Kingsley Jeremiah, 'Addressing uncertainties in upstream oil sector through regulatory instruments'(August 10, 2022) *Guardian Newspaper* available at <<https://guardian.ng/energy/addressing-uncertainties-in-upstream-oil-sector-through-regulatory-instruments/>> accessed April 1, 2025

⁴⁹ Oladehinde Oladipo 'Oil firms bank on less bureaucracy to raise output' (2025) *Business Day Newspaper* available at <<https://businessday.ng/energy/article/oil-firms-bank-on-less-bureaucracy-to-raise-output/>> accessed April 1, 2025

⁵⁰ Busola Aro 'Reps ask oil companies to provide evidence of N2.6trn tax, royalty payments' *The Cable* (March 17, 2022) available at <<https://www.thecable.ng/reps-ask-oil-companies-to-provide-evidence-of-n2-6trn-tax-royalty-payments/>> accessed April 2, 2025

This has resulted in a growing share of renewables in the global energy mix, decreasing reliance on fossil fuels like oil and gas.⁵¹ As demand for traditional energy sources diminishes, oil corporations face new problems like the adoption of electric vehicles (EVs) which reduces oil demand for transportation, and renewable energy technologies are replacing fossil fuels for electricity generation.⁵² Major oil companies are responding by diversifying their portfolios to include renewable energy projects. Firms such as Shell and BP have announced ambitious net-zero targets and significant investments in renewables like solar and wind power. However, these investments remain relatively small compared to their fossil fuel operations.⁵³

Also, the rising engagement of Nigerian firms in the oil sector is a major reason for the departure of multinational oil companies (IOCs) from Nigeria. This move reflects broader developments such as asset disposal, indigenous capacity development, and the changing dynamics of Nigeria's oil business. Significant shares that were previously owned by IOCs have been acquired by indigenous businesses like Oando PLC, Renaissance Africa Energy Company, and Seplat Energy. For instance, Seplat paid \$800 million to acquire ExxonMobil's Nigerian holdings, while Renaissance Africa Energy paid \$2.8 billion to acquire Shell's 45% interest in four oil mining licenses.⁵⁴ In order to increase domestic capacity and lessen dependency on foreign operators, Nigerian authorities have promoted local involvement in the oil industry. The Petroleum Industry Act's (PIA) initiatives seek to improve indigenous involvement and streamline regulations.⁵⁵

Major international oil firms (IOCs) have left Nigeria due to government policies that support local ownership. These policies seek to lessen dependency on foreign operators, increase domestic involvement in the oil and gas industry, and match national economic objectives. Some of these policies include Nigerian Oil and Gas Industry Content Development Act (2010). This legislation mandate oil companies operating in Nigeria to prioritize the use of locally sourced goods, services, and manpower.⁵⁶ The Act also requires foreign companies to involve Nigerians in their operations, promoting technology transfer and economic benefits for local stakeholders.⁵⁷ In addition, to promote local manufacturing and increase the ability of indigenous businesses, the Nigerian government has aggressively backed programs like the Nigerian Oil and Gas Parks Scheme (NOGaPS) and the Nigerian Content Intervention Fund (NCIF).⁵⁸ These policies have created an environment where indigenous firms are increasingly taking over assets previously controlled by IOCs. Nigerian companies like Seplat Energy, Oando PLC, and Renaissance Africa Energy have purchased billions of dollars' worth of onshore and shallow water assets from IOCs Shell, ExxonMobil, TotalEnergies, and Eni. This shift aligns with government objectives to empower local companies. 60% of Nigeria's crude production currently comes from indigenous producers, and if divestitures continue, this percentage is predicted to increase.⁵⁹ The push for local ownership has made Nigeria's regulatory environment more complex for foreign operators. Specific reasons include the adherence to local content laws which increases operational costs for IOCs compared to indigenous firms that already meet these requirements and also policies favoring Nigerian companies have reduced the strategic advantages of foreign operators in the onshore sector.

5. Purpose of Discussing the Exit of Major Oil Companies from Nigeria

The exit of major oil companies from Nigeria is a topic of significant importance, which warrants extensive discussion as a result of its far-reaching and visible implications on the country's economy, environment, and social fabric. This sub heading explores and examines the key reasons this subject demands attention.

Economic Impact: The departure of international oil companies (IOCs) from the onshore operations of Nigeria represents a seismic shift in the country's economic landscape and growth in general. Nigeria, as one of Africa's largest oil producers, has relied too long on the petroleum sector as a cornerstone and backbone of its economy. The exit of major companies like Shell, ExxonMobil, and TotalEnergies is a cause for concern about the future of oil production and its impact on government revenue and profits. There is an already drastic decrease in upstream capital expenditures as a result of the divestiture of these companies from Nigeria, they have dropped 78% from \$27 billion in 2014 to less than \$6 billion in 2022.⁶⁰ Nigeria's ability to produce oil effectively and consistently and, consequently, its foreign exchange revenues may suffer long-term effects and drawbacks from this cutback in investment.

Environmental Accountability: The environmental impact that large oil firms leave behind is one of the most urgent reasons to talk about their departure. Decades of oil extraction activities have caused significant environmental deterioration in Nigeria's primary oil-producing region, the Niger Delta. Concerns about who will be responsible for cleaning up oil spills and repairing

⁵¹ Chetna Hareesh Kumar 'Are oil and gas companies serious about the renewable energy transition?' (2021) available at <https://www.ren21.net/oil-and-gas-companies-renewable-energy-transition/>

⁵² Diego M 'The Rise of Renewable Energy and Its Impact on Oil and Gas' (2024) available at <<https://www.linkedin.com/pulse/week-2-rise-renewable-energy-its-impact-oil-gas-diego-medina-caceres-byllkc>> accessed April 2, 2025

⁵³ Ibid

⁵⁴ n (45)

⁵⁵ Daniel Terungwaa 'Concerns Arise Over International Oil Companies: Exit from Nigeria's Onshore Oil Business' (2024) available at <<https://www.majorwavesenergyreport.com/exit-of-international-oil-companies/>> accessed April 12, 2025

⁵⁶ Kabir Mohammed 'NNPC and Development of Local Content Capabilities' *This Day* (March 2025) available at <<https://www.thisdaylive.com/index.php/2025/03/15/nnpc-and-development-of-local-content-capabilities/>> accessed April 12, 2025

⁵⁷ Ibid

⁵⁸ Ibid

⁵⁹ Ibid

⁶⁰ Olumide Adesina 'Oil giants depart from Nigeria's onshore assets' (2024) available at <https://african.business/2024/02/energy-resources/oil-giants-depart-from-nigerias-onshore-assets> accessed April 1, 2025

damaged ecosystems are mounting as major firms depart.⁶¹ For environmental cleanup, the exit of IOCs offers both a challenge and an opportunity. It calls into question the necessity of thorough environmental restoration strategies as well as the sufficiency of current cleanup operations. It is now the responsibility of the Nigerian government and regulatory agencies to make sure that departing enterprises meet their environmental commitments prior to their departure.

Shift in Industry Dynamics: Nigeria's oil business is changing as a result of the departure of significant oil firms. Assets are transferred to local businesses and consortiums as IOCs exit onshore activities. This change calls into doubt these new operators' technical and financial ability to efficiently operate intricate oil production infrastructure.⁶² Moreover, shifting risk assessments and strategic priorities within the global oil industry are reflected in IOCs' decision to concentrate on deepwater operations while selling off onshore assets. Nigeria's oil output plans and its place in the world energy market are both impacted by this shift.

Social Justice and Community Welfare: Long-standing concerns about social fairness and community welfare in oil-producing regions are brought to light by the departure of large oil companies. Niger Delta communities have long called for responsibility for environmental harm that has impacted their access to clean water, livelihoods, and health.⁶³ The departure process offers a chance to resolve these complaints and guarantee that impacted communities receive fair compensation. It also calls into question how local communities and oil companies will interact in the future, as well as how new operators will handle CSR and community relations.

There are both possibilities and challenges associated with the withdrawal of international oil companies (IOCs) such as Shell, TotalEnergies, and Equinor from Nigeria's onshore oil sector. About 90% of Nigeria's foreign exchange profits and 60% of its government revenue come from the oil industry.⁶⁴ Short-term production stability is at risk when IOCs leave because local businesses might not have the resources or know-how to sustain output levels. For instance, President Tinubu's 2025 goal of 2 million barrels per day (bpd) was under jeopardy when crude oil production fell to less than 1.5 million bpd in 2024.⁶⁵ Due to a decline in investor confidence, upstream capital expenditures dropped 78% from \$27 billion in 2014 to \$6 billion in 2022.⁶⁶ About half of Nigeria's oil production is currently controlled by indigenous enterprises, indicating a trend toward local ownership. IOC assets are being acquired by companies such as Oando and Chappal Energies, which could promote long-term domestic expertise and job creation.⁶⁷ IOCs are holding onto their gas and offshore investments, and TotalEnergies has a \$6 billion offshore and gas project planned.⁶⁸ On the other hand, indigenous firms flare 10 times more gas per barrel than IOCs⁶⁹, exacerbating pollution. Legal avenues for communities to seek compensation for spills may weaken without IOC accountability.⁷⁰ IOCs are holding onto their gas and offshore investments, and TotalEnergies has a \$6 billion offshore and gas project planned.⁷¹

6. Conclusion and Recommendations

The ongoing exit of major oil companies from Nigeria marks a critical inflection point in the history of the nation's petroleum sector. For decades, international oil companies (IOCs) such as Shell, ExxonMobil, TotalEnergies, and Eni have been central to Nigeria's oil production, bringing in not only substantial foreign direct investment but also technical expertise, advanced technology, and structured operational frameworks. Their gradual divestment from onshore and shallow-water assets is, therefore, not an isolated corporate decision but a structural shift with far-reaching economic, political, environmental, and social consequences. This exodus is propelled by a convergence of interrelated factors: persistent insecurity in the Niger Delta manifesting in oil theft, pipeline vandalism, and militant activity; escalating operational costs exacerbated by aging infrastructure and environmental liabilities; regulatory and fiscal uncertainties that hinder long-term planning; and the global pivot toward cleaner, renewable energy sources. Compounding these are Nigeria's high production costs relative to other oil-producing nations, the legal complexities of environmental remediation, and the increasingly assertive role of indigenous oil companies supported by local content laws. The implications of this shift are multifaceted. Economically, Nigeria risks a decline in foreign investment inflows, reduced oil production capacity, and the erosion of government revenue, which could destabilize budgetary planning and macroeconomic stability. Socially, there are concerns regarding the ability of indigenous operators to sustain employment levels, uphold corporate social responsibility (CSR) commitments, and manage relations with host communities. Environmentally, the departure of IOCs raises urgent questions about accountability for decades of oil spills and

⁶¹ Geoff Iyatse, 'Oil corporations exit Nigeria, leaving a trail of environmental destruction behind' (2024) available at <<https://panafricanreview.com/oil-corporations-exit-nigeria-leaving-a-trail-of-environmental-destruction-behind/>> accessed April 1, 2025

⁶² Camillus Eboh & Isaac Anyaog 'Oil majors offered faster Nigerian exit if they pay for cleanup' *Reuters* available at <<https://www.cnbc.com/2024/oil-majors-offered-faster-nigerian-exit-if-they-pay-for-cleanup/>> accessed April 1, 2025

⁶³ Isaac Mugabi & Muhammad Bello Nigeria 'Shell's divestment plan sparks debate' (2024) available at <<https://www.dw.com/en/nigeria-shells-divestment-plan-sparks-debate/a-68023364>> accessed April 1, 2025

⁶⁴ n(61)

⁶⁵ Oluwatobi Odeyinka, 'Why Tinubu's plan for a 2mbpd output in 2025 is "illusory"' (January 21, 2025) available at <<https://nairametrics.com/2025/01/21/why-tinubus-plan-for-a-2mbpd-output-in-2025-is-illusory/>> April 15, 2025

⁶⁶ n(61)

⁶⁷ ibid

⁶⁸ Alexander Pertus, 'Shaking the Energy Table: TotalEnergies' Bold Exit from Nigeria's Onshore Scene' (2024) available at <<https://www.reportlinker.com/article/7281>> accessed April 19, 2025

⁶⁹ n(61)

⁷⁰ n(45)

ecosystem degradation in the Niger Delta, particularly in the absence of robust enforcement mechanisms to ensure proper decommissioning and remediation before exit. Yet, this transition also presents opportunities for structural reform. It offers Nigeria the chance to recalibrate its petroleum governance framework, strengthen regulatory transparency, and incentivize sustainable practices among both local and foreign operators. It creates space for the growth of indigenous companies that, if adequately supported through capacity building, technology transfer, and access to finance, can drive local value creation and reduce dependency on foreign capital. Furthermore, the global energy transition, while challenging, provides Nigeria with a compelling reason to diversify its energy mix, accelerate investments in renewable resources, and position itself competitively in the emerging low-carbon economy.

To fully harness these opportunities while mitigating the risks, Nigeria must act decisively. Strengthening security in oil-producing regions, enforcing environmental accountability, streamlining bureaucratic processes, and ensuring fiscal stability will be essential. Equally critical is fostering collaboration between government, local operators, and communities to build trust, enhance operational efficiency, and promote inclusive growth. In an era where the future of fossil fuels is increasingly uncertain, the country's ability to adapt, innovate, and reform will determine whether this period of transition becomes a catalyst for sustainable prosperity or a precursor to deeper economic vulnerability. Ultimately, the exit of major oil companies from Nigeria should not be viewed solely as a loss, but as a pivotal moment to reimagine the nation's oil and gas sector—one that is resilient, transparent, inclusive, and aligned with both national development priorities and global energy realities. If this transformation is managed strategically, Nigeria can emerge from this transition not weakened, but stronger and better positioned to thrive in the changing dynamics of the global energy landscape.

In response to the exit of major oil companies from Nigeria, it is imperative for the Nigerian government and stakeholders in the petroleum sector to implement strategic reforms and practical measures to stabilize the industry and attract sustainable investments. The following recommendations are proposed:

1. **Strengthen Security Infrastructure in Oil-Producing Regions:** The government must prioritize enhanced security measures in the Niger Delta and other oil-producing areas. This includes deploying well-coordinated surveillance systems, improving community policing, and addressing the root causes of militancy and sabotage. Partnerships with host communities and investment in community development can also help foster local cooperation and reduce vandalism.
2. **Reform Regulatory Frameworks and Reduce Bureaucracy:** Nigeria needs to simplify and harmonize its regulatory processes by minimizing overlapping responsibilities among agencies. Full implementation and consistent enforcement of the Petroleum Industry Act (PIA) should be prioritized to ensure regulatory clarity, reduce investor uncertainty, and enhance operational transparency in the sector.
3. **Address Fiscal and Legal Liabilities:** The government should develop a transparent framework for settling outstanding tax and royalty disputes with oil companies. It must also ensure that exiting IOCs fulfill their environmental and social responsibilities, including proper decommissioning and cleanup of polluted areas.
4. **Encourage and Support Indigenous Oil Companies:** Capacity-building programs should be intensified to equip local companies with the technical, managerial, and financial resources needed to manage complex oil operations. Access to financing, technology transfer, and infrastructure development must be enhanced to support their competitiveness and sustainability.
5. **Diversify the Energy Portfolio and Accelerate Energy Transition Plans:** To align with global trends, Nigeria should invest more in renewable energy sources such as solar, wind, and biofuels. Incentivizing clean energy projects and adopting a balanced approach between fossil fuel development and renewables will improve energy security and attract environmentally conscious investors.
6. **Promote ESG Compliance and Community Engagement:** Oil companies operating in Nigeria, including indigenous firms, should be held to high Environmental, Social, and Governance (ESG) standards. The government should enforce community development obligations and CSR initiatives to improve local living conditions, reduce conflict, and enhance social license to operate.
7. **Enhance Infrastructure and Operational Efficiency:** Nigeria should prioritize the rehabilitation and modernization of oil infrastructure, including pipelines, refineries, and storage facilities. Encouraging public-private partnerships for infrastructure development can also help lower operational costs and improve competitiveness.