

**Impact of Stability on  
Development in Nigeria's  
Oil and Gas Sector:  
Analysing Socio-  
Economic and Security  
Implications for  
Sustainable Growth**

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**Abstract**

This study examined the implications of stability in Nigeria's oil sector, focusing on its socio-economic and security dimensions. The research explored how a stable oil industry influenced revenue generation, employment, industrial diversification, and security outcomes. The theoretical framework incorporated the resource curse theory and sustainable development theory to contextualise the relationship between oil sector governance, economic sustainability, and security. A qualitative approach was adopted, utilising secondary data from reports, policy documents, and academic publications. Thematic analysis was employed to assess historical patterns and project hypothetical outcomes under stable conditions. Findings

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revealed that stability in the oil sector significantly enhanced foreign direct investment (FDI), government revenue, and employment opportunities. A well-regulated industry fostered economic diversification by stimulating growth in manufacturing, agriculture, and renewable energy. Additionally, security improved due to a reduction in oil-related conflicts, enhanced government control over illicit trade, and strengthened community-government relations. However, the study identified critical challenges, including governance inconsistencies, environmental degradation, and exposure to global oil market volatility, which hindered long-term stability. To address these challenges, relevant recommendations were made. Strengthening institutional frameworks through policy reforms and independent regulatory oversight is essential to enhancing transparency and investors' confidence. Enhancing security mechanisms through intelligence-driven strategies and community involvement was necessary to curb vandalism and illicit oil activities. Promoting economic diversification by investing in alternative sectors would reduce dependence on crude oil and build a resilient economy. These measures, if implemented effectively, could foster a stable oil sector that drives Nigeria's long-term socio-economic and security development.

Keywords: Development, Economy, Oil and Gas, Security, Stability, Sustainable Development, Sustainable Growth

### **Introduction**

The oil and gas sector has remained the backbone of Nigeria's economy for over six decades, contributing significantly to government revenue, foreign exchange earnings, and national development. As the largest oil producer in Africa and the 11th in the world, Nigeria's hydrocarbon wealth should ideally translate into broad-based economic growth and national prosperity. However, the sector has been historically characterised by volatility, governance challenges, and socio-political instability, undermining its potential for driving sustainable development (Ovadia, 2016). From the Niger Delta

militancy to oil theft, pipeline vandalism, and regulatory uncertainties, the sector has been trapped in a cycle of instability that stifles economic progress and deters investors. Despite various policy interventions, the country continues to grapple with disruptions that hinder optimal performance and sustainability.

Nigeria's oil and gas sector is pivotal to its economic structure, accounting for about **90% of foreign exchange earnings and over 60% of government revenue** (Nwankwo & Ogundu, 2020). Since the discovery of crude oil in Oloibiri in 1956, petroleum has shaped the country's fiscal policies, infrastructure development, and foreign relations. The sector's immense economic potential, however, coexists with significant governance inefficiencies, environmental degradation, and social unrest. The Petroleum Industry Act (PIA) of 2021 was a major step towards restructuring the industry, yet challenges persist in ensuring stability, transparency, and equitable benefit distribution.

Stability in the oil and gas sector is a crucial determinant of economic resilience, investor confidence, and long-term development. Countries with stable oil industries, such as Norway and the United Arab Emirates, have successfully leveraged their petroleum resources for sustainable growth by ensuring robust governance structures, security of energy infrastructure, and strategic economic diversification. Conversely, Nigeria's oil sector has been vulnerable to instability, with frequent production disruptions, revenue losses, and conflict-driven capital flight. An unstable sector impedes technological advancement, weakens local content development, and exacerbates fiscal deficits. Stability, therefore, is not merely an ideal but a prerequisite for transforming the sector into a sustainable driver of national prosperity.

The Nigerian oil industry is enmeshed in a web of socio-economic and security concerns that have far-reaching implications for national development. On the socio-economic front, the over-reliance on oil revenue has led to economic fragility, weak industrialisation, and an underdeveloped non-oil sector. Despite producing millions of barrels of crude oil daily, Nigeria struggles with high unemployment, poverty, and infrastructural decay. From a security perspective, oil-producing regions are hotspots for violent agitations, illegal refining, and armed conflicts. The activities of militant

groups like the Niger Delta Avengers and widespread oil theft result in substantial economic losses, with an estimated 400,000 barrels of oil stolen daily in 2022 (Nwankwo & Ogundu, 2020). These challenges necessitate a strategic approach to stability that integrates economic diversification, governance reforms, and security interventions.

### **Research Problem and Rationale for the Study**

Despite its vast petroleum wealth, Nigeria has struggled to convert resource abundance into sustained economic progress due to recurring instability in the oil and gas sector. The cyclical nature of conflicts, fluctuating oil prices, and policy inconsistencies have weakened the industry's ability to support long-term national development. While existing studies have examined aspects of oil-related conflicts, governance deficiencies, and economic dependence, there is a knowledge gap in understanding the multidimensional impact of sectoral stability on socio-economic and security dynamics in Nigeria. This study, therefore, seeks to fill this gap by exploring how stability or the lack thereof shapes the trajectory of development in Nigeria's oil and gas sector.

### **Research Objectives**

The specific objectives of this study are to:

- i. Examine the relationship between stability and development in Nigeria's oil and gas sector;
- ii. Analyse the socio-economic implications of instability in the industry;
- iii. Evaluate the security dimensions of oil sector disruptions and their broader national impact;
- iv. Assess the role of governance and policy consistency in fostering stability within the sector.

### **Literature Review**

#### ***Stability and Economic Development in Resource-Rich Economies: The Case of Nigeria***

Stability is fundamental to economic development in resource-rich economies, as insecurity and weak governance often impede sustainable growth. While natural resource wealth should ideally foster prosperity, many

resource-rich nations, including Nigeria, suffer from the resource curse, where rent-seeking behaviour, corruption, and economic mismanagement prevent long-term development (Auty, 1993). Political instability, oil bunkering in the Niger Delta, and fluctuating oil prices have left Nigeria's economy vulnerable, discouraging investment and deepening fiscal crises.

Unlike Norway, which has successfully managed its oil wealth through strong institutions, transparent governance, and economic diversification, Nigeria remains heavily dependent on oil revenues, with limited reinvestment in infrastructure and human capital. Overcoming these challenges requires robust policy frameworks, security sector reforms, and economic diversification. Without institutional stability and responsible resource management, Nigeria's oil wealth will continue to fuel inequality and economic fragility rather than sustainable development.

### ***Security Challenges in Nigeria's Oil and Gas Sector***

Nigeria's oil and gas sector faces persistent security threats, including militancy, pipeline vandalism, and oil theft, which undermine economic stability and investment confidence. The Niger Delta region, the epicentre of Nigeria's oil production, has long suffered from socio-economic marginalisation, environmental degradation, and weak governance, fuelling grievances that manifest in militant activities (Okoli & Orinya, 2020). Groups such as the Niger Delta Avengers have targeted oil installations, disrupted production, thereby reducing government revenue. Additionally, pipeline vandalism and large-scale oil theft result in significant financial losses, with estimates of over 400,000 barrels of oil stolen daily. Addressing these security issues requires a multi-faceted approach, including enhanced surveillance, community engagement, and transparent resource management. Without urgent reforms, the sector will continue to suffer, exacerbating economic instability and social unrest.

### ***Socio-Economic Benefits of a Stable Oil Industry***

A stable oil industry is fundamental to employment creation, foreign investment attraction, and infrastructural development, particularly in resource-rich economies like Nigeria. The petroleum sector provides direct and indirect employment opportunities, supporting millions of livelihoods,

from oilfield workers to service providers. Stability in the industry also fosters foreign investment, as multinational companies are more inclined to commit capital when regulatory and security risks are minimal (Ezirim et al., 2021). The real challenge lies not in the availability of resources but in their management and equitable distribution. Oil revenues, when well-managed, drive infrastructural development, funding essential projects in transportation, healthcare, and education. However, poor governance, insecurity, and corruption continuously erode these benefits. Nigeria must prioritise policy reforms, transparency, and security enhancements to fully harness its oil wealth. Without these measures, the nation's economic potential remains stifled, exacerbating unemployment, inequality, and stagnation.

#### ***Policy Interventions for Sustainable Growth in Extractive Industries***

Sustainable growth in extractive industries requires robust policy interventions that promote economic diversification, environmental sustainability, and transparency. Effective governance frameworks, such as resource revenue management policies and local content laws, can ensure that extractive wealth benefits broader economic sectors (Adedeji & Olaniyan, 2022). Additionally, strengthening regulatory institutions reduces corruption and enhances accountability in revenue allocation. Nigeria must adopt a long-term strategy that prioritises investment in renewable energy and human capital development to reduce dependency on oil and mining. Furthermore, stringent environmental regulations and corporate social responsibility mandates can mitigate ecological degradation and community discontent. Without proactive policies, resource-rich nations risk perpetuating economic volatility and social inequalities. Sustainable growth in the extractive sector hinges on policy consistency, institutional reforms, and stakeholder collaboration.

#### **Theoretical Framework**

##### ***Resource Curse Theory***

The Resource Curse Theory, developed by Richard Auty (1993), argues that nations rich in natural resources, particularly oil and minerals, often face slower economic growth, governance inefficiencies, and institutional weaknesses. Instead of fostering broad-based development, resource wealth

promotes rent-seeking behaviour, political centralisation, and economic mismanagement. Over-reliance on commodity exports increases vulnerability to price shocks, leading to fiscal instability and stagnation. Nigeria's oil sector exemplifies this theory. Despite being a leading oil producer, the country remains underdeveloped, with over 90% of foreign exchange earnings and 60% of government revenue coming from oil (Nwankwo & Ogundu, 2020), while agriculture and manufacturing are neglected. This dependency makes the economy highly susceptible to global oil price fluctuations, as seen during the 2014 oil price crash and the 2020 COVID-19 downturn.

Governance failures further reinforce the resource curse, with corruption, patronage politics, and elite rent-seeking diverting oil revenues from public development. The Niger Delta crisis, marked by militancy, oil theft, and environmental degradation, has worsened economic and security challenges. Additionally, Dutch Disease has weakened non-oil exports and industrial growth, increasing unemployment and economic fragility. Despite reforms like the Petroleum Industry Act (2021), governance weaknesses persist, making economic diversification and institutional reforms critical for escaping the resource curse.

### ***Sustainable Development Theory***

The Sustainable Development Theory, formulated in the Brundtland Report (1987) by the World Commission on Environment and Development (WCED), emphasises development that meets present needs without compromising the ability of future generations to meet their own needs. The theory integrates economic growth, environmental protection, and social equity, advocating for responsible resource management in industries such as oil, gas, and mining. Within the extractive sector, this requires transparent governance, economic diversification, ecological conservation, and community welfare to ensure long-term benefits rather than short-term exploitation. Nigeria's extractive industry presents a significant departure from sustainable development principles. Despite its vast oil and mineral wealth, the sector has been marred by poor governance, environmental degradation, and socio-economic disparities. The Niger Delta region, a key oil-producing area, suffers from severe pollution, loss of traditional livelihoods, and persistent conflicts, highlighting the failure to integrate sustainability

into resource management. Additionally, Nigeria's boom-and-bust economic cycles, dictated by fluctuating oil prices, expose the risks of overdependence on extractives, often leading to fiscal crises and stagnation.

Countries such as Norway illustrate that resource wealth can drive sustainable prosperity through robust policy frameworks, sovereign wealth funds, and environmental safeguards. Nigeria, however, remains ensnared in short-term resource extraction without reinvestment in human capital, infrastructure, or economic diversification. Breaking this cycle demands a paradigm shift towards governance reforms, environmental accountability, and equitable wealth distribution. Without such measures, Nigeria's extractive sector risks perpetuating economic instability, social unrest, and environmental destruction, undermining prospects for sustainable development.

### **Methodology**

The study adopted a qualitative research design, relying on secondary data analysis to examine the impact of stability in Nigeria's oil and gas sector. Secondary data were drawn from existing literature by authoritative sources, including reports from the Nigerian National Petroleum Corporation (NNPC), the World Bank, academic journals, and think tank publications. Government policies and regulatory frameworks were also reviewed to understand existing governance mechanisms, while media reports provided insights into security challenges and economic trends. A thematic analysis was used to identify patterns within qualitative reports, policy documents, and industry trends. This approach facilitated a comprehensive understanding of recurring themes related to stability, economic growth, and security dynamics.

### **Findings and Discussion**

The stability of Nigeria's oil sector is integral to economic growth, security, and sustainable development. A secure industry enhances revenue generation through consistent exports and taxation, attracting foreign direct investment (FDI) by minimising regulatory and security risks. This financial stability supports infrastructural expansion and economic resilience. Moreover, a stable oil sector drives employment growth by fostering sustained operations and increasing local content participation, thereby enhancing domestic



expertise. Industrial diversification also benefits, as a well-regulated sector stimulates investments in manufacturing, agriculture, and renewable energy, reducing Nigeria's dependence on crude oil. However, without sound governance, policy consistency, and infrastructural investment, these advantages remain elusive.

Security is another critical dimension of stability in the oil sector. A stable industry reduces oil-related conflicts and vandalism by addressing socio-economic grievances that fuel unrest. Effective governance and security measures curb illicit oil trade, ensuring government control over resource management. Furthermore, stability fosters trust between oil-producing communities and the government, promoting social cohesion through equitable revenue allocation. However, achieving lasting security necessitates transparent governance, fair resource distribution, and continuous community engagement.

Despite its importance, Nigeria's oil sector faces persistent challenges, including policy inconsistencies, environmental degradation, and global market fluctuations. Weak regulatory enforcement discourages investment, while environmental damage from oil spills and gas flaring fuels community unrest. These tensions often escalate into conflict, destabilising the industry further. Additionally, overreliance on oil revenue makes Nigeria vulnerable to global economic shocks. Addressing these risks demands comprehensive governance reforms, environmental protections, and economic diversification. Without decisive interventions, instability will continue to undermine national development.

### **Conclusion**

The stability of Nigeria's oil sector is crucial for economic resilience, security, and sustainable development. A secure industry enhances revenue generation, attracts foreign investment, and fosters employment growth while encouraging industrial diversification. Stability also reduces oil-related conflicts, curbs illicit activities, and strengthens government-community relations. However, persistent challenges such as policy inconsistencies, environmental degradation, and global market volatility threaten long-term progress. To achieve sustainable growth, Nigeria must prioritise governance reforms, infrastructural investment, and economic diversification. A stability-

driven approach is essential to harness the full potential of the oil sector, ensuring lasting socio-economic transformation and national development.

### **Recommendations**

To ensure the stability of the oil sector in Nigeria, implementing the following recommendations is necessary:

- i. Establishing an independent regulatory body with stringent enforcement mechanisms to curb corruption, ensure policy consistency, and create an investor-friendly environment. Clear legal frameworks should be instituted to promote transparency in licensing, revenue allocation, and sectoral governance;
- ii. Deploying advanced surveillance technologies, community-driven intelligence networks, and strengthened law enforcement collaborations to dismantle oil theft syndicates, prevent vandalism, and secure critical infrastructure. Integrating host communities into security initiatives will foster trust and proactive conflict resolution.
- iii. Introducing targeted incentives such as tax breaks, low-interest loans, and infrastructural support to encourage private sector investments in manufacturing, renewable energy, and agro-processing. Developing industrial hubs in oil-producing regions can facilitate employment generation and reduce dependence on crude oil.
- iv. Implementing legally binding frameworks for corporate social responsibility (CSR) that mandate oil companies to invest in education, healthcare, and local infrastructure. Establishing grievance resolution platforms will address host community concerns and reduce conflict.
- v. Adopting a multi-stakeholder policy approach that integrates environmental sustainability, fiscal prudence, and strategic reserves to cushion against global oil price shocks. Strengthening local refining capacity will further stabilise domestic supply and reduce economic volatility.

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