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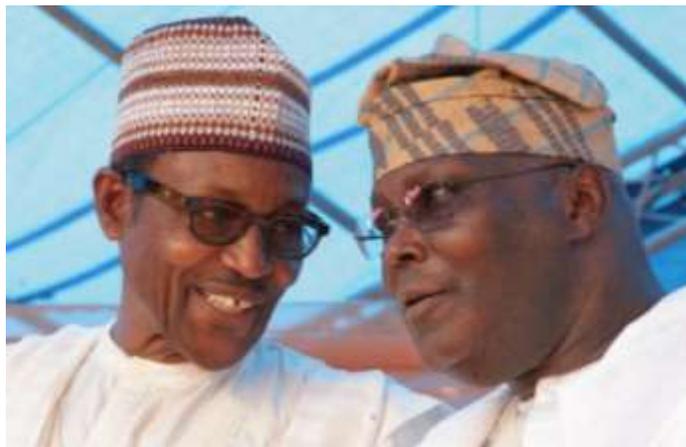
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## Mr Clean vs. Mr Action – Nigeria’s 2019 Elections

*Sebastian Spio-Garbrah, Chief Frontier Markets Analyst  
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Nigeria’s 2019 election will pit ailing incumbent 75-year old President Mohammad Buhari against 71-year old Former Vice President Atiku Abubakar. The election is an argument between ‘Mr Clean’ vs. ‘Mr Action.’ While Buhari’s campaign highlights his reformist non-corrupt persona, against charges of economic mismanagement and incompetence, Abubakar’s campaign is built around his business savvy, competence and elite support (albeit with a tinge of corruption). Despondent Nigerians will in February 2019 face a stark choice between continued economic stagnation or an economic renewal with a dose of corruption.



With most Nigerians discontent with the Buhari’s regime abysmal economic performance a majority of Nigerians are in desperate need for a change of leadership. However despite the economic despair, many Nigerians are equally weary of a return to the ‘good ole times’ where local oligarchs built multibillion dollar business empires in collusion with government officials. Caught in this conundrum, Nigeria’s 2019 election may for the first time witness a possible divided government – with an opposition victory at the legislative and gubernatorial polls, and a narrow ruling party victory at the presidential vote.

While the ideological differences between the opposition and ruling party in Nigeria is not very large, the Nigerian oil sector may be the biggest beneficiary any opposition victory in 2019.

Nigeria has for over two decades sought to overhaul its petroleum legislations by enacting new petroleum laws to replace the 1969 Petroleum Act. Significant progress was made by the current National Assembly, which led to the passage of the Petroleum Industry Governance Bill (PIGB) in January 2018, and deliberations on three other sister Bills. However, this progress was marred by political intrigues, making it very unlikely that these Bills would become law before the February 2019 elections. Abubakar, if elected president, would seek to introduce new laws for the petroleum industry that would reduce government’s participation and control of petroleum activities, earn more revenue for the government, increase incentives for investments, ensure local job creation, and integrate the petroleum industry into the larger economy.

### *Sale of government owned refineries*

Nigeria currently has four government owned refineries with a total installed capacity of 450,000 bpd. Unfortunately, the refineries have grossly underperformed and gulped millions of dollars in turnaround maintenance cost. Abubakar's pro-privatization instincts may see him put up the public refineries for sale. Abubakar has publicly advocated privatization of unviable government-owned assets as the way forward for Nigeria. If these refineries are sold and fully optimized by their private owners, they may operate to full or even extra capacity, which if added to the 650,000 bpd Dangote Refinery being built in Lagos, would make Nigeria have a combined crude refining capacity of over 1 million bpd. This may significantly cut into Nigeria's crude export beyond 2020.

### *A new regulatory landscape*

Perhaps, the most significant change to Nigeria's petroleum sector, if Abubakar stays true to his ideals which he has very publicly canvassed, will be to cede control of natural resources, including petroleum, to the states or regions owning them, otherwise called 'resource control' in Nigeria's political lexicon. Resource control means that states or regions control mineral resources within their territories, and send monetary contributions to the federal government. Mr. Abubakar has been a staunch proponent of resource control as a component of a restructured Nigeria which he has consistently promised to pursue if he is elected president. Mr. Abubakar, being from the Northern part of Nigeria, the region which many believe is vehemently opposed to restructuring Nigeria or resource control, has even taken his message of resource control to the North. This indicates that he firmly believes in resource control, and is ready to make the North see reasons why they should accept it. The implication of actualizing resource control would mean that states would have the powers to regulate petroleum activities taking place within their territories, subject to federal laws which may have only general provisions. This will create a whole new regulatory landscape which will vary from state to state.

### *On Niger Delta*

On the Niger Delta while Buhari has promoted a 'carrot-and-stick' approach which has largely been successful in keep the restive region calm and the militias in check, Abubakar's more radical program of state-led resource control may yet see an even more dramatic turnaround in the Niger Delta if it gains legislative support. Traditional northern legislators may oppose Abubakar's proposals, but even if they are rejected, the gravitational political forces in Nigeria are pulling the country in a more federalist direction.

### *Incentivizing foreign investments*

More incentives for foreign investments will be introduced if Abubakar is elected president. He has consistently emphasized the importance of foreign investments into Nigeria as a way to job and wealth creation, and never hidden his desire to put in place incentives to attract these investments.

### *New approach to local content laws?*

Nigeria's oil and gas sector has been an enclave sector, shielded from the broader economy. Thus, though contributing over 85% to the country's GDP and earnings, it has employed far less people and unable to

create secondary sectors. While he has constantly advocated for less government control, less business regulations, and a lean government, Abubakar has also advocated job creation, domestication of manufacturing processes, and integration of the oil economy into the larger economy. Nigeria's local content law was enacted in 2010 to achieve the latter, and was enacted by a PDP led government. It is widely believed in Nigeria that the local content laws have gone a long way in achieving its objectives, but there are still calls for stricter enforcement. Foreign investors on their part have reservations with the local content laws, and see it as an additional administrative bureaucracy. Stricter enforcement of these laws may act as a disincentive to foreign investment. Abubakar may seek to adopt a new approach to local content that balances investors' fears with local aspirations of a domesticated oil and gas industry.

### *Privatization of the national oil company*

The Nigerian National Petroleum Corporation (NNPC) has been Nigeria's oil company for several decades now. It has been accused of being the government's illegal cash cow, largely inefficient and corrupt. The currently pending petroleum reform laws seeks to unbundle the NNPC into an oil corporation whose shares are jointly owned by the government and the public, and an assets management company. Abubakar may either maintain this module or go a step further by fully privatizing the NNPC.

Nigerian politicians are often criticized for failing to fulfill their campaign promises once they get into power. They are also accused of lacking the political will to put in place any reformative ideas they canvassed while seeking elections. Abubakar's pro-privatization and pro-investment history signals that if he were to pull off a surprise victory, the country's energy sector will receive a positive jolt.

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To schedule in-depth Q&A with DaMina Advisors

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