

EFFECTS OF NORTH AMERICAN OIL AND GAS DEVELOPMENTS ON THE NIGERIAN ECONOMY

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Overview

The rise in unconventional oil and gas production in North America has changed the dynamics of crude oil trade between Nigeria and the United States of America. Hence, Nigeria which once counted on U.S.A as a major destination for crude exports has been forced to explore other trade destinations. The discovery and exploration of Shale oil and gas puts Nigeria's economy at serious risk as Nigeria is currently unable to finance its expenditure as well as accumulate its foreign reserves. Shale has also caused an increase in crude supply in the international market, leading to a decrease in the price of both gas and crude oil, which leads to a sharp decrease in revenue of oil producing national especially Nigeria. To recover from the effects of these, the nation can diversify the economy away from the oil sector, pass the Petroleum Industry Governance Bill and build refineries.

Methods

The paper uses descriptive analysis to apply the effect of North American oil and gas on the Nigerian economy, examining oil production and export, oil and gas investments, Nigerian currency and export and employment.

Results

Developments in the exploration of unconventional oil and gas in U.S.A have had a negative impact on the Nigerian economy. It has resulted in a shift in Nigerian crude oil and gas exports from North America to Europe and Asia. It has also resulted in a drop in government revenue, employment (especially in the oil and gas industry), and a depreciation of the Naira (Nigeria's currency)

Conclusions

Despite the unpleasant effects of unconventional oil and gas production in North America on the Nigerian economy, it presents an opportunity for policy makers in Nigeria to diversify the economy from its over-reliance on oil and gas, as well as open the economy to trade in other sectors and with other countries.

References

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