

## BACKGROUND OF THE STUDY

### 1.1 Introduction

Petroleum is among the various resources produced by nature. They are used by human to satisfy their needs such as transportation, cooking, electricity power supply and others (Mike, 2012). The exploitation of natural resources such as crude oil is the use of natural resources for economic growth, of sometimes with a negative connotation of accompanying environmental degradation (Cronin, 2009). It started to emerge on an industrial scale in the 19<sup>th</sup> century as the extraction and processing of raw materials (such as in mining, steam power, and machinery) developed much further than it had in pre-industrial eras. During the 20<sup>th</sup> century, energy consumption rapidly increased.

In the last fifty-five (55) years, the Niger-delta region has experienced increased activities in the area of oil exploration and exploitation, refining and products marketing operations while the same activities have generated immense finance for the country as a whole, it has created health and environmental problems to the host communities in the Niger Delta Region. According to Omajemite (2008), the operation of the oil industries have introduced pollutants such as liquid discharge and oil spills into the air, land and water component of the environment. This oil activities though contributed to the Nigerian economy, notwithstanding the area has been subjected to series of degradation and the member of the host communities suffering untold hardship. The whole process of obtaining fuel mineral, from exploration, extraction processing and transportation as well as storage and consumption generate one form of pollution or the other. For example, during exploration, drill cutting, drilling mud and fluids are used for stimulating of crude oil, damage to pipeline and accident involving road trucks and tankers generate oil and hydrocarbon emission. These have a far more reaching effect on the environment (FEPA, 2001). The entire process of oil extraction negatively affects the environment basically through pollution which invariably leads to other kinds of problem stated the crude oil is so dangerous that when the oil touches the leaf of food crops or whatever economic tree in the area, the plants dries off immediately. This destructive effect of oil exploitation on plants invariable leads to poor agricultural yield in the region.

The exploration of crude oil Nigeria has led to a considerable economic growth in the country. Crude oil was discovered in commercial quantities in the Niger Delta Region, specifically in the present Oloibiri in 1956 (Omofonwa and Odia, 2009). Since then oil exploration and exploitation as continued resulting in to what is termed environmental destruction and degradation due to neglect and less concern of the multinational companies in environmental management in the area. The first shipment of oil to Europe was in 1956 from a modest production of 5,000 barrels per day in 1958, it reached a peak of 2.3 million barrels per day in 1979. By the 1970's oil has become the fiscal basis of the Nigeria state, effectively replacing agriculture as the basis of revenue generation in Nigeria (Mike, 2012). The Central Bank of Nigeria (CBN) in its 1981 annual report inferred that oil accounted for than 90%of Nigeria Exports by value and about 80% of total government revenue as at December 31<sup>st</sup> 1981, there is no doubt that the Nigeria oil industry has affected the country in a variety of ways at the same time. On one hand it has fashioned a remarkable economic landscape for the country. One major pollutant that has stimulated pollution of crude oil can occur as spillage from on-share or off-shore operation of the petroleum industry. It is therefore believed that when these oil spills occur, they affect the flora and fauns aquatic animal which constitutes major protein

resources for man.

In the course of crude oil exploration various materials are also released into the environment, such as Benzenes and poly-nuclear aromatic hydrocarbon on oil and water bodies. The toxicity of the oil adversely affects the soil, plants, animals and water resources. According to Mike (2012) during exploration and exploitation of oil, rural communities have to the destruction of farm lands vegetation and pollution of streams. Accordingly, Badego and Nwilo (2005) noted that the exploration of crude oil is a major environmental problem in Nigeria. They posited that between 1976 and 1996, Nigeria recorded a total number of 4,835 oil incidents which resulted in a loss of 1,896, 960 barrels of crude oil to the environment (NNPC Statistical Bulletin, 2015). Between 2006 and 2010, according to Lawrence, Musari and Okere, (2010), Nigeria recorded a total 23 percent were caused by equipment failure, operational maintenance error and corrosion while 45 percent had been attributed to sabotage and vandalisms (NNPC Statistical Bulletin, 2015). The remaining 32 percent was attributed to leakages and other mechanical and human errors.

Previous studies have focused mainly on oil exploitation and gas flaring activities and its environmental impacts in Nigeria especially oil producing states but none have laid emphasis on the socio-economic effect of crude oil exploitation in Ughelli and Warri. This study therefore seeks to fill the gap that exists in literature on the topic under consideration.

Due to the crude oil exploration, the resultant effects on the surrounding environment have caused significant tension between the people living in the region and multinational oil companies operating in the area. It is against this background that this study is conducted to comparatively assess the socio-economic effect of crude oil exploitation in Ughelli and Warri respectively.

## **1.2 Statement of Research Problem**

The socio-economic effects of crude oil exploitation from the activities of the oil industry resulting in environmental problems such as degradation cannot be ignored. The problems associated with oil exploitation as summarized by Olojoba (2009) include; pollution, environmental degradation, damage to farm produce, loss of farmlands, economic hardship, among others. These problems have continued to affect the inhabitants of Warri and Ughelli especially their source of livelihood and socio-economic life.

In recent times crude oil exploitation have damaged completely or seriously disorganized the economic and social activities of the oil producing communities in Ughelli and Warri. Agriculture, farming and fishing are the basic economic activities of the people in Ughelli and Warri, but these activities have reduced drastically due to the effect of crude oil exploration on the environment (Ejola 2000).

Presently, oil exploitation has posed serious threat to the socio-economic activities of various oil producing communities especially in Warri. These socio-economic activities ranges from trading, farming activities, to various businesses. It is of no doubt today that, oil exploitation has hindered socio-economic growth in various oil producing areas (community) since most people depend on the natural resources for their source of survival and major means of livelihood. Also the exploitation of oil in Ughelli and Warri respectively have negative socio-economic impact leading to housing problems, increase in crime rate in the core city, health issues, educational decay and insecurity as a result of various conflict that emanate from oil exploitation activities especially among the youths (Mike, 2012).

Oil exploration and exploitation has been on-going for several decades in the Nigeria Delta. It has had impacts on the environment in the region and has adversely affected people inhabiting that region. The

Niger Delta region especially Warri and Ughelli consists of diverse ecosystems of mangrove swamps, fresh water swamps, rainforest and is the largest wetland in Africa and among the ten (10) most important and marine ecosystems in the world (Barry, 2015), but due to oil pollution the area is now characterized by contaminated streams and rivers, forest destruction and biodiversity loss in general, the area is an ecological wasteland. This affects the livelihood of the indigenous people who depend on the ecosystem services for survival leading to increased poverty and displacement of people.

This study is therefore conducted to address the aforementioned problem(s) and suggest possible ways to solve the problems associated with oil exploitation and its socio-economic effect on the study areas.

### **1.3 Aim and Objectives of the Study**

The aim of this study is to carry-out a comparative assessment of the socio-economic effect of crude oil exploitation in Ughelli and Warri.

However, the specific objectives are to;

- Ø examine the socio-economic effect of crude oil exploitation in Ughelli;
- Ø examine the socio-economic effect of crude oil exploitation in Warri;
- Ø compare the effects of crude oil exploitation on socio-economic activities in Ughelli and Warri; and
- Ø postulate achievable measures to solve the socio-economic effect of crude oil exploitation in Delta State.

### **1.4 Research Hypothesis**

There is no significant difference in the socio-economic effects of crude oil exploitation between Warri and Ughelli.

### **1.5 Significance of the Study**

The importance of this study is that it will provide us with the opportunity of studying oil exploration in Ughelli and Warri; and the major areas in Nigeria especially in the study areas seriously affected by crude oil exploitation; and take a deeper look at the effects of oil exploration on the inhabitants of Ughelli and Warri and proffer solutions to the problems identified because if problems are not properly looked into and controlled, the situation could get out of hand and this will not be too good for the inhabitants of Ughelli and Warri.

The significance of this study is to find possible solution of reducing gas flaring within Warri and Ughelli communities during crude oil exploitation activities. The rate in which the associated gas has been flared within the area, if not properly checked will be worsen and it will continually give rise to socio-economic problems and environmental degradation.

It will also help to enlighten and create the awareness to the general public area about some disease that are associated with oil exploitation and some measures to check the spread of the disease and the health of the people living around the refinery on the better ways of preventing themselves and safe guarding their properties.

### **1.6 STUDY AREA**

The study areas: Ughelli and Warri, Delta State is located in the South-South Geo-Political zone of the Niger Delta Region of Nigeria. It is among the oil producing areas of Delta State.

## **COMPARATIVE ASSESSMENT OF THE SOCIO-ECONOMIC EFFECT OF CRUDE OIL EXPLOITATION IN UGHELLI AND WARRI**

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