

PDF - IMPACT OF PETROLEUM PRODUCT SCARCITY ON THE CAPACITY UTILIZATION (A CASE STUDY OF EMENITE NIGERIA LIMITED - researchcub.info **TABLE OF CONTENT**

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## **ABSTRACT**

The topic of this project report is impact of petroleum product scarcity on capacity utilization. A case study of Emenite Nigeria limited.

The purpose of the study is to identify the impact of petroleum products scarcity on the capacity of utilization of Emenite Nig. Ltd.

In carrying out this study the researcher will adopt the survey and historical researcher methods. This will enable researcher to access and sample size as well as review of existing literature on the topic. It will also afford the researcher the opportunity to source data from respondents through interviews administration of questionnaires and visit to libraries to review the existing for literature from books periodicals magazines etc.

Answers would be sought to the formulated research questions and the positive hypothesis tested. The research report would be broken down into five chapters.

## **CHAPTER ONE**

### **1.0 INTRODUCTION:**

### **1.1 BACKGROUND OF THE STUDY**

Prior to the discovery of oil in Nigeria in 1956 by shell B.P, coal was the primary source of energy. Oil exploration in Nigeria stated as far back as (1908) although the

discovery of minerals was reported the earlier in 1903.

According to Ofurhie (2000;6) the petroleum industry in Nigeria dates back to 1956 when shall D, Archy now shell petroleum development company of Nigeria discovered oil commercial quantities of Oloibiri the present Bayelsa state in 1958. However, Nigeria national petroleum corporation (NNPC) (1990;2-3) reported that over 12 million barrels of oil was produced in Nigeria all from the Nigeria Basin are, production was increased from a mere 5.000 barrels per day in 1966; The report stated that the increase was through slowed down by the civil war by 1970 daily production level of 2 million barrels per day had been achieved.

In 1965 when Nigeria first petroleum refinery was established in Port Harcourt by shell and the British petroleum (BP) petroleum products used in the country was imported. The supply of the imported petroleum products all over the country was through multination also like shell ESSO, B P among others before the commissioning of the old Port Harcourt refinery in 1966. The old port Harcourt refinery was damaged during civil war and the marketers and consumers of petroleum products in Nigeria in depended on external sources without experiencing serious shortages (pipelined products marketing company PPMC 1993 a = 1 )

Recently the marketing companies are supplied most of the products by the Nigeria national petroleum corporation (NNPC) subsidizing company pipeline and products marketing company limited (PPMC) that is responsible for the primary distribution of petroleum products in Nigeria.

The importance of petroleum products in Nigeria can be fully appreciated when viewed against the dominant role of the use of the products especially in the manufacturing section and revenues generating from the marketing of the products play in the economy.

Ose (2000;) suggested that apart from contributing the revenues of over 90% of the aggregate of the nations export earnings the productive and social activities in the domestic and industrial sectors of the Nigeria economy many grind to a halt, without

revenues and benefits accruing to the nation from sales and energy supply from petroleum products usage.

Since oil revenues and domestic energy consumption took center stage in the nation's economy government interest in the up stream and down stream sectors of the oil industry have increased tremendously over the years.

The erstwhile department of petroleum resources in the ministry of mines and power in 1970 handles government's interest in the oil industry. The then Nigeria nation oil corporation (NND) which transformed into Nigerian national petroleum corporation (NNPC) was formed in 1971 primarily to market crude oil and supervise all oil operations in the country.

According to PPMC Aronimic (1994)28) it was in 1988 in major reorganization of NNPC that the government established the pipelines and products marketing company (PPMC) as one of its eleven subsidiaries. It was charged with the sole responsibility of ensuring efficient distribution and timely availability of reformed products across the country.

Despite the establishment of PPMC and the high volume of oil production in Nigeria there have been intermittent scarcity of petroleum products and its attendant adverse effects on the economy especially in the industrial sector where large volumes of these products are consumed.

PPMC Aronimic (1995: 45) reported that a total of 100, 656, 381 barrels of crude oil to be received in 1994 from local consumption out of a planned 109,500.00 barrels expected to be consumed leading to a shortfall of 8,843, 6519 barrels. Also out of the 19583, 869 metric barrels (tones) of refined product expected from the refineries only 7,853, 304 metric tones reforesting 41% were products out of the targeted local consumption output. To achieve this the refineries processed 7,998,428 metric tones of crude oil i.e (60,388,131) barrels representing (55.5%) in order to augment the shortfall in the refineries output, the company (PPMC) spent the sum of USD 543.5 million to import 2, 850, 800 metric tones of various petroleum products.

However there is apparent shortfall in quality of petroleum products available for industrial usage and most industrial concerns in Nigeria involved in manufacturing solely on one form of refined petroleum products or the other for their operations infect most heavy and light industry power generating sets are run mainly by these petroleum products. The resultant negative effect of the scarcity of the products have led to the malfunctioning of these industry equipment which resulted in low productivity low capacity utilization and down ward turn on the over all economy and industrial performance in Emenite Nigeria limited.

The failure of the oil refineries in the country and the electricity generating and distribution system occurred due to lack of commitment to maintenance culture (MAN; 1998: P).

The domestic capacity constraint has curtailed the limit of achievement in local raw material sourcing and employment generation.

The researcher therefore decided to investigate and study the problem associated with petroleum product scarcity on the capacity utilization of companies. A case study of Emenite Nigeria limited.

## **1.2 STATEMENT OF THE PROBLEM**

The rapid decrease in the economic activities in the country resulted by the shortage of petroleum products which was reflected in an accentuated economic recession. The across domestic product (GDP) productivity reduction in industrial capacity utilization and discourage inventory building up expectedly the unemployment problem became more explosive increasing poverty situation profits and investments for expansion diminished.

Further more the collapse of the oil refineries randomization's of oil pipeline sharp practices in the distribution net work lack of maintenance culture all these gave rise to the acute shortage of products and consequently resulted in under capacity utilization of Emenite Nig Ltd.

Moreover it's necessary for Emenite Nig. LTD to provide for alternative source of

power through the purchase of generating sets and plants which are run by the consumption of Automotive Gas oil (AGO) and premium motor spirit (PMS). Also most plants on these factories use one from of lubricating oil or the order for it to function at all. But the scarcity of these products causes the machines to be out of use with its attendant problems. These problems, which the researcher seeks to find answers to.

### **1.3 PURPOSE OF THE STUDY**

The specific purpose of the study includes:

To identify the problem militating against the availability of petroleum products in Emenite factory.

To identify the impact of petroleum products scarcity on the capacity utilization of companies: The case of Emenite Nigeria

To evaluate the role played by government and its agencies to ensure availability of petroleum products.

To make suggestion and recommendations based on the data generated by this study.

### **1.4 SCOPE OF THE STUDY**

The study covers the impact of petroleum products scarcity on capacity utilization of companies. A case study of Emenite Nigeria limited Enugu. It does not cover other factories in the country.

Although the areas of coverage are Emenite Nig Ltd, its findings are the overall national view of the impact of petroleum products scarcity on capacity utilization of companies in Nigeria.

### **RESEARCH QUESTIONS**

The critical appraisal seeks to give answer to the following questions

What makes you think that Emenite Nig Ltd, failed to meet the desired capacity utilization inspire of measures by government to boost the industrial sector.

To what extent does the non-availability f petroleum product affect the capacity utilization of Emenite Nig Ltd

What are the role of government and its agencies in helping to ensure availability of petroleum products?

What should be done to ameliorate the problems of scarcity of petroleum products in order to improve capacity utilization with the industry sector?

## 1.6 SIGNIFICANCE OF THE STUDY

This study very important in much respect

Moreover the oil sector is a key player in the Nigeria economy. In that regard anything that affects its in variable touches every sector. Therefore to the manufactures it's of great interest to know possible solution to the persistent and intermittent supply of the petroleum products as a means of enhancing their capacity utilization profit level and output.

Furthermore, since the manufacturing industries especially Emenite Nigeria Limited are major source of employment apart from the public sector and also contributes product in the economy for these reasons it is of immense important to government and society at large.

For researcher the study will provide useful materials for researchers who may wish to deve into the study in the future for policy makes the study in formulations modify and even streamline existing government policies which will help solve or of least reduces the problems facing petroleum products consumers operations and government in its determination to achieve regular supply and availability of petroleum products.

Finally the study will also help government achieve its target for the industry sector increase put level which will generate more employment opportunities in the industry.

## DEFINITION OF TERMS

For the purpose of the study the following terms used defined in the context in which they were used.

M.S it is known as premiums major spirit or alternatively petrol

MARKETER:- a company licensed by the department of petroleum resource operating under pipelines and product marketing company of NNPC to market and



distribute petroleum

NNPC : Nigeria national petroleum corporation

MAN: manufacturers association of Nigeria

AGO: automobile Gasoline oil literally called diesel used by heavy duty truck engines.

DPK: dual purpose kerosene used for domestic cooking and aviation fuel and other industry uses.

NEPA: national electrical power authority

GDP: Gross domestic product

NNOC: Nigeria national oil corporation

PPMC: pipeline and product marketing company.

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