



Nigeria: A Closer Look at "Above Ground Factors"

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Oil prices recently passed \$69/barrel in New York (and above \$72/barrel for Brent) over [fears that a looming general strike in Nigeria will exacerbate already tight oil supplies](#).

The "indefinite strike" is scheduled to start Wednesday, June 20th, and [will include both major union groups in the country](#). The prospect of a strike successfully shutting down Nigeria's remaining oil exports is rightly driving world markets, but what is the relationship between this strike and the background of violence and attacks in the Niger Delta? Buried below headlines of the looming strike, this week saw two significant attacks: [one on a Chevron facility that cut 42,000 barrels of oil production](#), and [a separate takeover of an ENI facility taking 27 people hostage and cutting 40,000 barrels of production](#).

Unions & Villages

Nigeria's trade unions reflect the general mood of the populace—disgruntled over [rising fuel prices, higher taxes, and the new government's failure to implement a promised general pay increase](#). There are few things that Nigeria's highly diverse and divided population can agree on, but the unions seem to have found a set of uniform grievances, and are now pushing this lever.

In the Niger Delta, on the other hand, government wages, taxes, and official fuel prices have little effect. Few people have a traditional salary—most earn their living fishing, as small-time entrepreneurs selling goods and services to employees of the oil industry, or living off the kickbacks that trickle down from payments made to village chiefs by local ministers or foreign oil companies. Fuel prices are determined by the black market, not the government, and decisions to engage in "illegal bunkering" of local oil pipelines are at least as pressing as calls to strike.

Negative vs. Positive Feedback Loops

There is a very real difference between the violence in the Delta and the looming general strike. The strike is a decent example of a negative-feedback loop—if the unions succeed and get concessions from the government, then the strike ends. If the unions manage to take oil production off line, but fail to win concessions, then at some point the strike will also end as popular support for this tactic declines. The violence in the Delta is quite different. The vast profits available from illegal bunkering and from ransoming western oil workers have degraded the traditional tribal structures of the Delta peoples to the point that gangs now exert great social, political, and economic power. In the Delta it is a classic positive-feedback loop: a switch from political motivation to profit motivation is [shifting the entire culture to one of guerrilla entrepreneurs](#). So while the strike and the ongoing attacks both impact the oil markets, one

seems likely to be a short-term event, while the other is a growing and indefinite problem.

"Above Ground Factors"

Both the strike and the Delta violence are excellent examples of what is euphemistically termed "Above Ground Factors." While it's convenient to explain away high oil prices by pointing to vague generalities like "above ground factors," the reality is less rosy. The insinuation is that such factors are temporary—a brief but unexpected disturbance that will be resolved shortly, so stop worrying and go back to following the saga of Paris Hilton. This is why the distinction between positive-feedback loop and negative-feedback loop factors is so critical. Positive-feedback loop factors, such as the violence in the Niger Delta, won't go away on their own. They will persist, and they will get worse unless the underlying catalyst of the positive-feedback loop is addressed. In the case of "above ground factors" influencing oil production, the underlying cause is geological peaking—if the world was awash in spare capacity, there would be little incentive to fight over control of oil. Oil Majors would just move to greener fields elsewhere if geology (and the resulting difficulty replacing reserves) didn't dictate that they stay. I've called this phenomenon [Geopolitical Feedback Loops in Peak Oil](#). Geologically-driven scarcity sets the conditions that lead to oil-related violence: the battle over oil revenues in Iraq, the violence in the Niger Delta, the leftist policies of Hugo Chavez, China's increasingly aggressive policies in Africa, etc.



These "Above Ground Factors" aren't happy to meet you.

An Isolated Example, or an "Early Adopter"?

So while we watch events unfold in Nigeria, it is important that we distinguish between "above ground factors" that will go away on their own, and those that will continue to get worse. Geological scarcity is a driving force behind both types of factors—it is certainly one of the root causes of the Nigerian strike—but it is particularly critical when geological scarcity spawns positive-feedback loop disruptions. In this sense, Nigeria is a case study of particular importance—is it just an isolated example, or is it a glimpse of what many (most?) countries could look like on the down-slope of global oil production?

"Above ground factors" are a very serious problem, and they are inextricably linked to geologically determined decline in oil production. We should continue to distinguish between

geological limitations and "above ground" limitations, in Nigeria and elsewhere. What we should not do is think that "above ground" somehow means either "temporary" or "less serious."

For all of The Oil Drum's past work on Nigeria (including Jeff's recent profile and other information), click this link: <http://www.theoil drum.com/tag/nigeria>



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