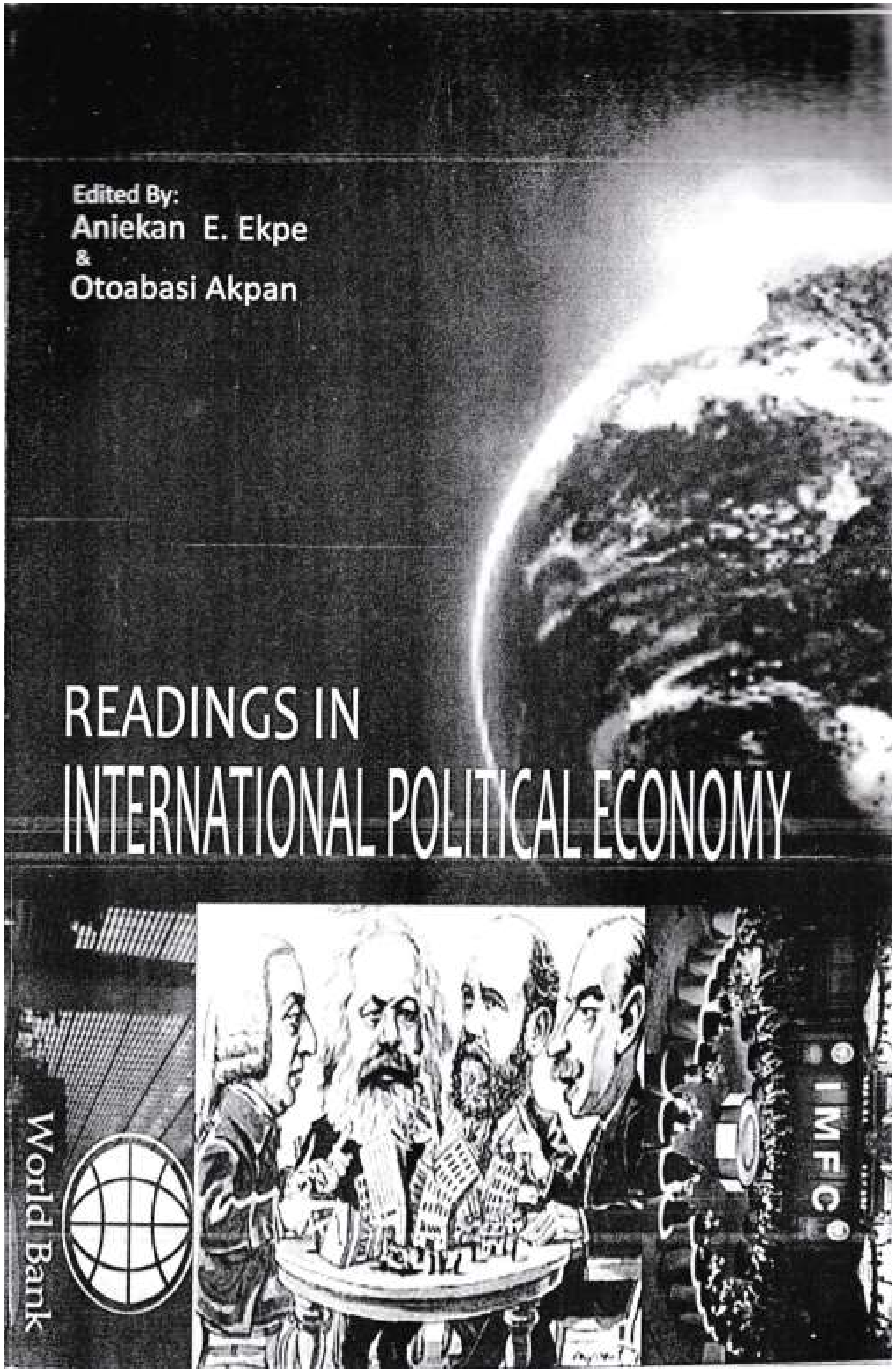

Chapter 9

THE POLITICS OF OIL AND ENERGY IN THE INTERNATIONAL POLITICAL ECONOMY.

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Introduction

Energy and especially oil, stands out as one of the most outstanding commodities and the nucleus of the international political economy. Energy is the key, wealth, and power in which the international economic pendulum swings. Energy is indeed the economic life and prosperity of nations. The convenient production and transportation of goods, services, people, the dissemination of information, and the development of commercial agriculture and large-scale industry are all dependent on the availability of supplies of energy to provide heat and power. Throughout human history, man has used energy in the form of wind, water, oil, coal, (etc.), to supplement his own limited abilities. However, since the 19th century technological advances have enable him to explore and exploit the stored energy of the earth by burning its fossil fuels for electricity or power. At present, the demand for energy from fuels such as petroleum oil and its associated product is so great that the politics of nations are almost centered around it. The need and use of petroleum has brought both developed and developing nations into collision, not as friends but through conflicts and wars, which have been fought for its control for decades now.

To be sure the need for energy and indeed oil is global. It is a commodity that can dislocate economies if anything stops its production and or supply to the areas of need. Meaning that the issue of oil and its study indicates that, the world is increasingly interdependent. Events in one part of the world affect people everywhere. Before now, nations were able to ignore others in decision taking or economic production, but today it is no longer possible to ignore or isolate outside forces or actors in making or taking political or economic decisions. Besides, and to a large extent, politics and economics have become 'siamestic' or tightly interwoven in many areas, that, perhaps it may be useless to try to distinguish between them. Politics and economics are pillars of value in international relations. Thus, the economics of oil hold sway on the politics of oil, and vice versa. The issue of politics of oil and economics of oil determine not only relations of nations but the outcomes in this interdependent, intertwined, globalised world.

Indeed, the thrust of this chapter therefore is to look at the interplay in the energy sector especially petroleum in modern world politics and its role in the development or underdevelopment of nations. The problems and prospects of oil and energy in the 21st century. Perhaps if oil is substituting with other forms of energy, how would the developing countries who entirely depend on oil survive?

Historical Development of Petroleum Oil

Petroleum oil was first discovered far back in the early 16th century in what is today modern Russia. It was seen floating on River Ukhta by some villagers who were in search of some medicinal plants and traditional lubricants. In 1591, oil collected from the Ukhta river was delivered for the first time to Moscow (Spodek, 1998). However, the first oil drilling was in 1846 at Bibi-Aybat near Baku in Russia. In the Americas, the first oil well was drilled at Titusville, Pennsylvania, in 1859, but only a small proportion of the crude oil was used. Crude oil then was not regarded as an important commodity, it was taken and used as any local commodity for that matter. Meanwhile, what was taken out of the crude oil then was kerosene which was seen as the principal product. Kerosene was used for lighting, and until about 1900 more than half the crude oil was discarded as useless. But since 1900 changing demand and advances in refining technology have meant that almost all of the oil was useable (Knowles and Wareing, 1976). Though there were changes in the refining and usage of crude oil, it did not command demand among nations. For this reason, relations among nations were devoid of oil politics.

In Africa, the development of oil exploration is traced back to late 1868 when oil was seen flooding on a tunnel dug for Sulphur

exploitation in Egypt. In 1909, a large commercial quantity of oil had been discovered. Other countries that came to limelight and flourished in oil business include Libya, Nigeria, Sudan, Cameroon in the 1950s (Eke, 2005). Today, other countries that have joined the league of oil producers include such countries as Ghana, Algeria, Egypt, Chad, Angola (etc). (Eke, 2005).

In Persian Gulf, the discovery of oil pushed the entire region to the centre of world struggles for power and wealth. The first commercial valuable strike was drilled at Masjid-i-Suleiman in Iran in 1908. Subsequently, oil was discovered in Iraq in 1927 and in Kuwait and Saudi Arabia in 1938. In terms of reserves, the largest is found in Gulf States, which holds about 60 percent of all the world's known reserves of about one trillion barrels (Spodek, 1998).

The Role of Energy in the Development of Civilisation and the Significance of Oil in Modern Political Economy

Energy as earlier discussed hold the key to modern development. (Amen, 1996), sees oil as an important commodity in terms of the international political economy, and concluded that the 20th century was "the oil century". It was so termed the oil century, in that it was the era in which the 'Great Powers' fell on each other for the demand of this commodity for their industrial and domestic need. The rising technological advances and the need for national security and strategy, however, in this century were the two forces that pushed oil to the forefront of the political economy of energy.

Indeed, before 1973, oil did not command respect in the international economy, and many did not think that the commodity can influence decisions of many states as it did at the time. The Middle East palaver of 1973 in which US supported Israel in the Yom Kippur War with Egypt ignited the conflict which caused the Arab members of the Organisation of Petroleum Exporting Countries (OPEC) to ban exports of petroleum to the United States and other allies of Israel. In other words, gasoline prices skyrocketed and gasoline shortages appeared, and plans to ration gasoline were made. Since energy was so vital to every industrial and non industrial societies, every element of daily life was manageably altered. According to Amen (1996):

> By the time the dust settled a year later, the world was truly changed. The world oil market was dominated by the OPEC cartel. Oil prices continued to rise and the changing pattern of world payments caused sudden and dramatic shifts in the global distribution of wealth. Individuals, industries, and nations that were once rich were suddenly heavily burdened by oil payments. Trade, finance, and security structures were all changed.

Meanwhile, as some nations such as USA, and Britain were groaning under the burden of price increases of gasoline oil and restructuring their economic structures to shoulder the burden, others such as Saudi Arabia, Nigeria and Iraq were busy building their economies to their advantage. The cumulative tension caused by the price increases is often referred to as the OPEC oil shocks of 1973. It was really shocking because before 1973, the prices of oil at the international market swung between $2.90 and $3.00. The shock pushed the price from $2.90 per barrel to $11.65 a jump of over 400 percent.

Again, the second oil shock occurred at the end of the 1970s, when Iranian nationalists finally succeeded in overthrowing the Shah from his throne in Tehran, Iran. The ensuing panic catapulted world oil markets and pushed the price of a barrel of crude oil from $13 to $34 in the 1980s. That was to spell inconvenience in less than a decade, then to oil-burning economies of the world, and to increase tension and heat back for them import bills for petroleum leap by almost 1,200 percent (Amen, 1996). That marked the beginning of growth in economies of developing countries that produced crude oil. Nigeria like her counterparts was to change the economic and infrastructural landscape of the nation better than what it was then.

However, two countries would be used as indicators of energy in the development of civilization Saudi Arabia and Libya. Though much have been said about the changing fortunes of these States in the earlier paragraphs the increase in the prices and prosperity of these States in the Persian Gulf, Africa among others.

Until the discovery of oil in 1938 in Saudi Arabia, the Saudi's

were not known for anything progressive except the occupation of the central position as the custodian of Meccan religion Islam. In terms of establishment and sustenance of development, the British colonial lord used to subsidize the King Ibn Saud. Meaning she depended on the British aid for sustenance and running of the economy. After the World War II and because the United States economy was in high demand for energy than any other country at the time started to court respect to this nation. Oil became a commanding height in propelling economies. Few years afterwards, oil was able to transform Saudi Arabia from being merely a religious centre and a custodian of faith to a nucleus of world's energy and financial hub within the international system. The economy of Saudi Arabia is dominated by petroleum of which she has the largest reserve and largest producer within the Organisation of Petroleum Exporting Countries OPEC (Lewis, 1976; Eke, 2005).

In monetary terms, the amount of money derived from the sales of oil in Saudi Arabia from 1970 to date runs into trillions US dollars. She is one of the countries that has judiciously made use of this oil windfall. For instance, Saudi Arabia has been able to build up infrastructural facilities that are comparable to those in developed countries. With the oil money, one of the world's most advanced telecommunications systems have been installed, thereby linking the country with the Gulf Communications Network. In 1987, satellite transmission and reception stations had been established, making direct telephone connection to other parts of the world. It is also a fact that the internal uses of phones by the Saudi's are tariff free for her citizens (Akpan-Umana, 2003).

In the area of agriculture, by the nature of the environment, the Saudi's have been able to conquer nature. Saudi Arabia is a Semi Desert by all standards. In spite of her condition she is able to grow her crops, provide good food for her people and some surplus for export, thus reducing food imports drastically and reserved her foreign exchange. She has used the oil wealth to transform the arid land to a cultivable land. In 1987, she became the world's sixth largest exporter of cereals, and now has become self-sufficient in eggs and chicken productions. To encourage more farming activities the Saudi's government provided interest-free loans to farmers, fertilizers are heavily subsidized (Akpan-Umanah, 2003). In the area of education, health and social security, the country has much to show. In the words of Otoabasi Akpan:

> The number of schools and institutions of higher education increased from time to time to cater for the rising population ... emphasis has been placed on the health sector so much so that by 1991, the 1400 Bed King Falid Medical Centre in Riyadh is hi-tech and a miracle centre.

Regarding housing before the year 2000 which the United Nation's slogan emphasized the housing for all, before that day there was near housing for everybody in Saudi Arabia. It was the functions of the government and the private sector to provide accommodation for all (Akpan-Umanah, 2003).

With petroleum oil, Saudi Arabia is heavily diversifying her economy, knowing that one day the oil will finish though, for now it may last well over the next eighty years or so. Heavy industries such as petrochemicals, iron and steel, fertilizer plants have been established. In the same vein small scale industries have been encouraged; solid minerals have been mined. All these in place means creation of more wealth, employment, which have a linkage effect on growth and development. Preservation of foreign exchange and free from debts, a condition in which some oil producing countries plunged themselves into, such as Nigeria (Akpan-Umanah, 2003).

Libya is an African nation. It is also a semi desert with very harsh climatic conditions. It has no appropriate technology of her own that perhaps can transform her economy. Yet she is the richest nation in Africa and the 15th richest country in the world. This transformation and placement come as a result of oil. Oil means wealth, affluence and development. How was Libya before the discovery of oil? In the first decade of her independence, Libya was in economic doldrums and want, depended on foreign aid for her development. There was no food security as agriculture was practiced in the oases, the living conditions of the people was near servitude. The discovery of oil in 1959 and the accruing of oil revenue on large scale from 1961 change the state for the better. In this connection, extensive development projects were put in place at transforming the state. Such projects were housing, industries, good roads, electricity, water supply, telecommunication and agriculture (Akpan-Umanah, 2003).

Iron Ore was discovered in 1974 but by 1991, the Steel Complex built had rolled out steel for internal and external markets. In other areas, Libya had put her natural gas in the international market, reducing its flare and protecting her environment from gas pollution. In petrochemical industry, Libya is the leading country in Africa. There is a lot of improvement in telecommunication industry, water and power supply. Libya does not rely wholly on the use of petroleum power. By 1982, the 10-MW nuclear research reactor was in operation in Tripoli, making power available for households and industries. The problem of food had long been overcome since most lands have been irrigated and reclaimed for agricultural purposes. Increased in the area of cultivation is applauded since its application of modem techniques of sand fixing and aforestation. In all, the standard of living of people is improved. Oil has change and revolutionized the nation making her a convenient nation in the world (Akpan-Umanah, 2003). There is a strong connection between a country's consumption of energy and its standard of living, expressed as the Gross National Product (GNP) per capita, and it has been estimated that the USA used as much energy on central heating and air-conditioning alone as China uses for all purposes.

Nevertheless, economic development and energy consumption are so closely linked that, one can be used to indicate the other. The importance of these links are demonstrated when energy supplies are cut or curtailed. The disruption of oil supplies caused by the Middle East Crisis of 1967 and 1973 emphasized the essential role of energy supplies in industralised and urbanized societies as industrial production was reduced and power cuts the life of the nation (Knowles and Wareing, 1976).

Another noticeable significance of oil is that it gives political energy, elevates the nation and acts as an economic weapon in pursuing foreign policies. For instance, because of oil wealth, Mummar Ghadafi of Libya emerged as one of the World's most outspoken personalities. He was able to command the Arab States to unite against their Israeli foe. Nigeria had used her petroleum economy to win independence for Zimbabwe that had been excruciating under the British lord headed by lan Smith for decades. Nigeria's as a regional power in West Africa is influenced by the wealth brought by Petroleum Oil (Bukarambem, 2000).

To be more specific, oil has increased the international significance of the Persian Gulf region, on one hand, making it a focus for international rivalry and control, but on the other hand providing a resource with which the region could fight to assert its own independence and chart its own destiny. Oil has made Arab States the custodian of underground natural resources, with enormous wealth and power. It provided the potential for the complete restructuring of national income, social, and political life. It finances military expenditures. It is worthy to note that five countries in the world that devote the highest, 20 to 30 percent of their budget to military expenditure, are Persian Gulf, oil rich States. As highly capitalized industry under government control, oil drilling and refining creates much wealth (Spodek, 1998).

Organization of Petroleum Exporting Countries (OPEC)

The Organization of Petroleum Exporting Countries (OPEC) came as a body in September 4, 1960. This was as a result of economic friction that existed between the seven super oil companies: Exxon, Gulf, Mobil, British Petroleum, California Standard, Shell and Texaco. These companies usually referred to as the "Seven Sisters" decided the issues of oil prospecting, production and pricing (Salvatore, 1995). The producing nations never had a good deal in their relations with these Oil Companies since their oligopolistic and imperialistic maneuvering meant counter-productive to the development of these nations. The Petroleum Price Acts of 1959 and 1960 force the oil producing nations to form OPEC because of the prevailing oil underpayments. The five founding members were Saudi Arabia, Iran, Iraq, Venezuela and Kuwait. Later other Oil Producing Nations joined Qatar in 1961, Indonesia in 1962, Libya in 1962, United Arab Emirate in 1967, Algeria in 1969, Nigeria in 1971, Ecuador in 1973 and Gabon in 1975. Ecuador and Gabon withdrew from the Organisation in 1992 and 1994 respectively(Eke, 2005).

However, what is observed in the organisation is that it is made up of developing countries; which means the developed countries that are oil producers such as Canada, Russia, United States of America, Britain have a good deal of cooperation with their Multinational Companies. In actual fact, the developed countries

would never undermine the interest of these developing nations.

The major aim of the organisation is to control development, output and prices to regulate Western Oil Companies, and to improve position of Third-World countries by forcing Western countries to open their markets. Within the organisation, there have been some disagreements arising from pricing of the crude oil in the international market. These differences sometimes occur because there exists two types of crude oil light and heavy. Light crude attracts high price than the heavy, hence the producers of light would always want to have advantage over the heavy crude oil producers. The light crude producers are Nigeria, Libya, Venezuela, Algeria and Gabon. The heavy crude producers are Saudi Arabia, Iraq, Qatar, etc. To pursue and defend their interest, Saudi Arabia advocated a free-for all production in search for a "fair market share" that in 1985 brought about the price war leading to reduction in price to $9.50 a barrel (Salvatore, 1995; Eke, 2005).

Moreover, with political conflict between Egypt and Israel, which ended in a full-scale war in 1973, the then Saudi Oil Minister, Shaikh Ahmed Yamani, instituted an embargo on all shipments of oil to the United States, and the other Arab States followed suit. This was Arab states conspiration against the US and other Western nations since Israel is America's ally, and the West supported Americas' actions. They also announced a reduction of 5 percent oil production to restrain Israel in its war of expansion with her neighbours and return to its 1967 borders. Indeed, Israel by that action accepted a cease-fire on October 22, 1973 based on pressure from her ally US. It also acted as a mechanism that split the US coalition in the Arab-Israel war of 1973. With the end of the war and the oil embargo, Saudi Arabia transformed the Organisation of Petroleum Exporting Countries (OPEC) into a cartel, raising prices and lowering production to gain control over World Petroleum Sales. Fortunately, for the organisation, the price of oil rose from $1.80 a barrel in 1970 to $11.65 in December, 1973.

The 1973 singular action of the OPEC nations made Western nations to see her as a powerful organisation, a potent instrument of the Third World Economic Diplomacy, in view of the North-South debate over distribution of resources. It was the OPEC members that helped to add diplomatic weight to the non-aligned movements in the new deal under the New International Economic Order.

The Energy Crisis of 1973

Prior to 1973, developed market economies of Western Europe, USA, Japan became increasingly dependent on foreign oil, especially oil from the Middle East and North Africa. By 1972 Western Europe derived almost 60 percent of its energy from oil, almost all of which was imported. On the same pedestal, oil supplied 73 percent of Japan's energy needs and virtually all the supplies came from outside. The United States itself was becoming vulnerable, and so by 1972, the United States used oil for 46 percent of its energy, and one third of her requirement was imported (Spero, 1981).

Indeed, for Western Europe and Japan, the Middle East and North Africa were the clearing houses and important sources of oil imports. For instance, in 1972, 80.4 percent of oil was imported by Western Europe while 78.9 percent of Japan's imports came from this region. Thus the developed market economies had become vulnerable to the threat of supply interruption or reduction. And this vulnerability was greased by declining political influence of these countries' governments in the oil-producing region and non-existence of individual or joint energy policies to counter any manipulation of supply. What should be known is that, in the 1960s and early 1970s, major modifications gradually developed in the bargaining position of the three major actors in the international oil system. The issue was that the position of the oil companies and that of developed market economies was significantly weakened, whereas that of the producing states, especially those in the Middle East and North Africa, were to a large extent strengthened.

The waning power of the Oil Companies led to the changes in oil producing nations especially among the Arab States. The major change was that these Arab States developed a strong bargaining position between the Oil Companies and the consuming states. With the favourable international economic and political conditions plus internal cooperation enabled them, first to take control of prices and, then, to assume actual ownership of oil investment. The manifestation of control was shown in Libya's attitude against Oil Companies. Libya used to supply 25 percent of Western Europe's total oil imports and had significant advantages in its bargaining relationship with the corporations. Libya's Oil was in high demand in Western Europe.

a new negotiation for increase in the price of oil were initiated with the Oil Companies. The new deal was unacceptable by the Oil Companies and Ghaddafi threatened to nationalize the companies and cut Libyan oil production. To set the pace, the Libyan government selected the vulnerable Occidental Petroleum, which relied totally on Libya to supply the European markets and would have lost these markets without Libyan oil. In the event production, reductions were imposed on Occidental Petroleum in June and August, 1970. In September 1970, Occidental capitulated, and the other companies were forced to take a cue (Spero, 1981).

Nonetheless, the Libyan show of strength was a harbinger of better deals for the future. It provided for an immediate increase of $0.30 in the posted price of oil, an increase to #2.53 for Libyan crude, and an increase of $0.02 a year until 1975 when the posted price would be $2.63. Income tax on oil was equally increased to 5 percent. The Libyan contest and show of strength with the Oil Companies had a far demonstrating effect on the attitudes of other oil-producing States. It revealed that vulnerability of the companies and the unwillingness of the Western Consumers to take forceful action in support of the companies. It also led to a major conceptual change in the minds of oil producers by demonstrating that government revenues could be raised not only by increasing exports but also by increasing price.

In December, 1970, OPEC member countries met at Caracas, Venezuela calling for increase in the posted price of oil and in the host countries income taxes on that oil. That was not to be because of the insolvent attitude of the various Oil Companies doing business in these States. In January, 1971, negotiations between OPEC and the Oil Companies began in Teheran, agreement between the OPEC, and the companies provided for the posted price of the Persian Gulf Oil from $1.80 to $2.29 per barrel. Government taxes and royalties rose from 50 percent to 53 percent. In return, the companies were granted a five-year commitment on price and government revenues. In April, 1971, a similar agreement, but with a higher price, was concluded with Libya at Tripoli (Spero, 1981).

With all these structures in place, about four months later, President Nixon announced the inconvertibility of the dollar and the 10 percent surcharge, a necessary evil, a fundamental and paramount pillar on which the five-year agreements were based collapsed. The situation became problematic because the price of oil was stated in dollars; the real value of the Tripoli and Teheran agreements was shattered and altered when the value of the dollar was changed. With the passing of Smithsonian agreement, the oil producers demanded a new agreement to shore up for international monetary changes. Indeed, January, 1972, Geneva agreement made provision for an increase in the posted price of oil and subsequently adjustment to account for exchange rate changes. The price of Persian Gulf oil steadily rose to $2.48 a barrel.

The agreements reached as Teheran and Tripoli was almost on the crossroads when the issue of participation emerged. In this connection OPEC called for a new conference to discuss nationalization. The Oil Companies did not take it kindly and started questioning the right of OPEC in demanding a reordering of the International Oil System before 1975. OPEC neither saw it as a new deal nor covered by the Teheran and Tripoli agreements. Nonetheless, negotiation were held, an agreement was reached in December, 1972 among Saudi Arabia, Abu Dhabi, Qatar and the Oil Companies which provided the framework for the producing countries to negotiate with the Oil Companies in acquisition of ownership of the companies operating in their states. That ownership agreement started at 25 percent and rose gradually to 51 percent of control by 1982. The door opened to individual States to negotiate with the Oil Companies. Indeed, the final negotiation between Oil Producers and Oil Companies took place in October, 1973. Then the demand for oil by the consuming countries surpassed existing capacity. The effect was that shortages shut up the prices of oil. Now, since the posted price was fixed by the five-year agreement, it was the Oil Companies and not the Oil Producers who benefited from the oil price increases. 'Another cause for dissatisfaction was the fact that companies were making bids for new government-owned oil at prices above those of the Teheran and Tripoli agreement'. In another collorary, the inflation in the West and the devaluation of dollars, the countries were cheated and became disenchanted.

In September, 1973, OPEC convened a meeting with the Oil Companies for negotiations, which began in October 8, in Vienna, Austria. In that meeting, the oil producers demanded substantial oil

increases in the price of oil, in response the Oil Companies requested for a two-week adjournment to consult with their home governments. The adjournment meant for two-weeks became forever. The conditions within the Arab States over the oil palaver tensed up. The tension enmeshed with the fourth Arab-Israeli war, which began on October 6, 1973 just two days before the Vienna talks, began. The Arab nations rallied round and supported a common cause vis-à-vis Israel. Again the Arab Nations in OPEC conspired against the West the United States and Netherlands and announced a 5 percent reduction of oil production to force the Israel allies to restrain her in its war with Arab neighbours, Egypt and Syria and return to its 1967 borders. Later the Arabs enforced a total oil embargo on the West, which, of course the pressure from the West on Israel led to her acceptance of a cease-fire on October 22, 1973. The activities of these Arab-OPEC nations had a far-reading impact that split the United States Coalition in the Arab-Israel conflict of 1973. On October 16, the Organisation of Arab Petroleum Exporting Countries (OAPEC) unilaterally increased the price of their crude oil from $1.80 to $5.12 a barrel, and other producers followed suit. On December 23, OPEC also raised the price of Persian Gulf oil to $11.65 and expected effect January 1, 1974. The situation was devastating to Western nations whose economy depended on oil (Eke, 2007).

However, the actions of the OAPEC showed that the era of negotiation with the companies were over. The (OPEC) possessed the power to dictate the terms as it favours them. Since 1913 the powers of the Western World and Western Companies to dictate to the producer countries began to wane. Since the fall of 1913, oil prices have been determined by the OPEC members acting as a producer cartel.

Indeed, energy began to dominate the top of international agenda as a result of the oil palaver suffered by the west in the hands of OPEC nations. This has led the industrialized world especially the United States which have now shape their policies to avoid future crisis by working on alternative sources of energy. Again, part of American Policy on Petroleum is to make sure she controls oil industry in the Middle East. She does not pretend and would do anything to keep other powers away from the Persian Gulf. That readily translated American actions on the region on her role in the Gulf wars of 1991 and 2003.

Energy is a sine qua non to development, hence the crisis of the 1970s also led to establishment of the International Energy Agency (IEA) to monitor and decide ways to foreclose instability against the western interests in the oil market (Palmer and Perkins, 2005)

Problems, Prospects of Oil and Energy in the 21st Century

The oil challenges especially the recent increase in prices and embargo experienced by the developed countries more especially the G8 have opened the eyes of these consuming nations, and perhaps have compassed them to look beyond the embargo and increase in prices that of alternative to fossil oil if not immediately but for the future. The thinking is should they continue to depend on fossil fuel their development strand may be hampered by the oil producing countries of the South. It should be remembered that, it was increased in prices and to a large extent embargo by Organisation of Petroleum Exporting Countries (OPEC) that the major oil importing States formed their own organization the International Energy Agency (IEA). The function of the IEA is to coordinate the energy policies of major industrialized countries through maintenance of oil stock piles in case of a shortage on world markets to at all times try to keep world oil prices low and stable. In another corollary, because of fluctuation in oil prices and to forestall the repeat of the 1973 oil shocks, the developed countries are now working assiduously through research and development to find an alternative to fossil fuel for their energy needs. The issue is that the largest percentage of oil is concentrated in developing countries. In this connection, government of these developed States have ploughed in much in terms of human and financial capabilities to realize their dreams. This has taken them to the development of biofuel technology.

The issue of alternative to fossil fuel has been invoke even before the 1973 oil shocks. The developed countries have come out with alternatives to replace fossil fuel so as to reduce their expenditure on fuel importation. This action has led to the improvement on the use of solar, wind, water, nuclear energy and currently biofuel. All these are limited and perhaps conform to regions and at specific times. However, fossil fuel for now is the commanding height and it is the

singular matter that is driving the world economy and may remain so for a very long time. Fossil fuel is the central matter in which the foundation of the world economy is laid-in industries, air and land transport, budgets of some nations are tied to the aprong-string of this commodity.

The politics of substituting oil as a major source of energy by the advanced industrialized countries is ripe and steady. It was such politics that led to the formation of International Energy Agency. The advanced economies are not comfortable with the rising tide and investment of those oil States in their States. Besides, increased in the prices of oil to a large extent dislocated the economies of advanced industrialized countries. Moreover, a worldwide recession as witnessed among industrialized countries in the 1970s and beyond demonstrated vividly that excessive oil price rises can destroy the world economy (Spodek, 1998). Indeed, the increase in prices would spell doom to both the producers as well as the consumers. This was illustrated from the experience of the 1970s. The experience was that the profits from oil had become so enormous and overwhelming that some of the oil rich countries such as Saudi Arabia, Kuwait, Bahrain, Qatar with small population and underdeveloped could not invest the surplus profits internally. In this connection, attention to invest these excess profits was on the West as they did not want to see their investments founder. It is argued that by 1980s, the tiny Kuwait was earning more from its overseas investments than from its oil. However, it was equally amazing to witness that advanced economies were spending much on importation of oil for their energy needs and that did not augur well as standard of living was higher and higher by years. It can also be argued that, standard of living was improving in those oil producing States and aid from the industrialized States was reduced to the barest minimum. It is known that aid to developing nations is a bargaining power for both such development between the developing countries and developed would not be in their best interest (developed). Substituting fossil fuel for another form of energy would reduce their dependence and may assist in stabilizing the price of crude oil and make it less competitive in world economy and indeed politics.

However, as earlier mentioned, most of the oil producing States of the South are mono-cultural exporting nations. Their development is tied to the export of crude oil. For instance, a country like Nigeria tie its development budget on the international crude oil prices. Where the prices of crude oil falls below the expectation such budgets are run on deficits. In fact that was common in late 1980s. It was on that, that Nigeria went borrowing externally to finance some of her projects, it thus placed her on a very disadvantage position until part of her debt was cancelled in 2005. For an alternative source of energy to be real or replace the fossil oil, it would further throw many economies into economic doldrums and retard their development.

For now, the issue of fossil fuel and indeed the energy business in the world affects economy. Fossil oil is the main energy that drives the world economy now. There are other forms of energy complementing fossil fuel such as wind, solar, water and nuclear. To say the least without fossil fuel the world would have returned to neolithic age. It is the foundation for industrialization, science and technology, services and to a large extent one of the indices for human attainment. The 21st century is driven by the fossil energy and would remain so for a very long time.

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