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I. Title page
II. Abstract (150-250 words)
III. Keywords (3-5)
IV. Introduction
V. Literature Review
VI. Methodology
VII. Results and Discussion
VIII. Conclusion and Recommendations
IX. References (APA 7th Edition)
X. Appendices (if necessary)
XI. Author Biographies (optional)

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EFFECT OF OIL SPILLAGE DISCLOSURE ON THE ANNUAL REPORT AND FINANCIAL STATEMENT OF LISTED OIL COMPANIES IN NIGERIA.

FOM PETER DAUDA

ABSTRACT

Oil spillage has always be a challenge in oil and gas industry since the inception of oil extraction, exploration and exploitation in Nigeria, the host communities have suffered a lot because of the operations of oil companies in their environment resulting to oil spillage which end up in destroying the economic lives of the host communities as well as the entire ecosystem. Is on this note the study tried to examine the effect of oil spillage and how such oil companies can disclose such damages in their annual report and financial statement in which the following hypotheses were formulated and tested on environmental pollution, oil theft, community degradation and land recovery disclosures respectively. The study's tested hypotheses were accepted which indicated that there were no significance effect of those disclosures on the annual report and financial statement of listed oil companies in Nigeria. The study made use of primary source of data collection by issuing out questionnaires and personal interviews, Regression analysis was adopted to run the statistical test of the hypotheses. The study still recommended that the plight of the host communities need to be looked at critically despite the result of the hypotheses tests in order to alleviate the damage stage of the host communities.

Key words: *Oil Spillage, Environmental Pollution, Oil theft and bunkering, Community Degradation, Land Recovery, Reporting Statement.*

1.0 INTRODUCTION

Oil is one of the essential export commodity in Nigeria that has contributed to over 90% revenue generation since its discovery in 1956 in Nigeria. As a result of its exploration, extraction, refining, transporting and marketing operations by the listed oil companies, oil spillage normally occurs. As part of the requirement for all listed companies in Nigeria to prepare and render annual report and financial statement of its operations and position to its shareholders and other stakeholders for public consumption, decision making and necessary actions, which forms as their annual report at such listed oil companies are not an exemption to that requirement. For over the years, listed oil companies did render their annual report and financial statement in accordance with Financial Reporting Council of Nigeria standards including environmental reporting requirement which falls under the purview of sustainability reporting requirement in accordance with Nigerian Code Of Corporate Governance 2018, PART E, Principle 26 ; paying adequate attention to sustainability issues including environment, social , occupational and community health and safety; ensures successful long term business performance and projects the Company as a responsible corporate citizen contributing to economic development. In fact, listed oil companies have complied with this reporting requirement partially because there is still a need for more disclosure on environmental and community health and safety reporting in term of oil spillage which are not normally disclosed in their annual report and financial statement.

Listed oil companies form part of the petroleum industry which includes the global processes of exploration, extraction, refining, transporting (often by oil tankers and pipeline) and marketing petroleum products. In the process of carrying out these operational activities, oil spillage occurs which normally devastate the ecological system (both living and not living things) of the affected oil communities and eventually affecting their economic and livelihood. But is unfortunate that the level of damage of the oil spillage whenever its occurs is not disclosed by these listed oil companies in their annual report and financial statement, if done, immediate remedies should have been put in place for clean- up or to mitigate the suffering of the oil communities. According to recommended practices of the same Part E, Principle 26.1; the Board should establish policies and practices regarding its social, ethical, safety, working conditions, health and environmental responsibilities as well as policies addressing corruption. In short, the safety, health, economic and environmental policies concerning the communities affected by these oil spillage is the sole responsibility of the Board, hence its adequate disclosure in the annual report and financial statements of the companies. Principle 26.2.4; the most environmentally beneficial options particularly for companies operating in disadvantaged regions or in region with delicate ecology, in order to minimize environmental impact of the Company's operations. 26.3; The Board should monitor the implementation of sustainability policies and report on the extent of compliance with the policies.

It is clearly captured as part of the requirement for listed oil companies to disclose all these including the extent of oil spillage devastation under environmental segment of sustainability reporting but the study discover that oil spillage disclosure is not adhered to by these oil companies in their annual report and financial statements and that left us to where we are now in those affected communities. The study looked at the environmental pollution, oil theft, community degradation and land recovery as an independent variables against the annual report and financial statement by the listed oil companies as the dependent variable. The study also covers the period of ten (10) years from (2011 – 2020) because these years saw the period in which Federal Government shown more action in cleaning up the communities affected by oil spillage in the country, not forgetting the non-disclosure of the extent of damage by oil spillage in the annual report and financial statements of those companies when carrying out their operations.

The main objective of the study is to examine the effect of oil spillage disclosure on the annual report and financial statement of listed oil companies in Nigeria, and to achieve the set up objective, the following hypotheses are formulated towards that:

HO1. There is no signifance effect of environmental pollution disclosure on the annual report and financial statement of listed oil companies in Nigeria.

HO2. There is no significance effect of oil theft/bunkering disclosure on the annual report and financial statement of listed oil companies in Nigeria.

HO3. There is no significance effect of community's degradation disclosure on the annual report and financial statement of listed oil companies in Nigeria.

HO4. There is no significance effect of land recovery disclosure on the annual report and financial statement of listed oil companies in Nigeria.

2.0 LITERATURE REVIEW

2.1 CONCEPT OF OIL SPILLAGE AND ANNUL REPORT AND FINANCIAL STATEMENT

From the position of Oxford English Dictionary; spill is to cause or allow to run over the edge of a container, overflow, spread outside an allotted space. Hence, Oxford Learner Dictionary refers to oil spillage as an act of letting a liquid come or fall out of a container.

According to Wikipedia (2021); an oil spill is the release of liquid petroleum hydrocarbon into the environment, especially the marine ecosystem, due to human activity, and is a form of pollution. While Spinger (2021) considers the term oil spill refers to the accidental release of liquid petroleum hydrocarbons to the environment. Collins (2024) refers to the term oil spill as a release of oil into the environment, either leaked or discharged from ship, lorry, truck etc, or an accidental release of oil into a body of water, as from a tanker, offshore drilling rig, or underwater pipeline, often presenting a hazard to marine life and the environment. Therefore the study considers oil spillage as a process whereby oil spreads or spills to areas outside an allotted space of operations by the oil companies, thereby causing a lot of damages to ecosystem as well as environment, marine and livelihood of the host community. The oil industry is divided into three major components: upstream, midstream and downstream. Midstream operations are usually included in the downstream category. Akpan (2012), the largest volume products of the industry are fuel oil and gasoline (petrol). Petroleum is also the raw materials for many chemical products, including pharmaceuticals, solvents, fertilizers, pesticides and plastics. Be it the activities of upstream or downstream, oil spillage may occur either at the exploration, extraction, refining stages, or occur at the transportation stage (i.e by pipeline or oil tankers) or marketing stage.

This indicates how the issue of oil spillage needs to be given adequate attention due to the devastating impact on the affected communities livelihood as well as ecological system of such places (D'Andrea et al.,2014; Ekpenyong et al.,2015; Ogbija et al.,2015; Adebayo,2018;Bruederle et al.2019; Hassan et al.,2020c,Hassan et al.,2020b; Hassan et al.,2020a). Hence, need to disclose such activities in their annual report and financial statement in accordance with Financial Reporting Council of Nigeria standards of sustainability reporting principles. If oil spillage is been disclosed by the listed oil companies in their annual report and financial statement, it will enable the companies to first find immediate remedial measures to tackle the situation to alleviate the suffering of the affected communities before the long run remedy should come. From the perspective of Oando GCEO Wale Tinubu (2024) who condemns Nigeria's dependence on IOCs (International Oil Companies); He advocated empowering National companies to build a robust indigenous energy sector. In this respect, the study concords with his view because these international oil companies do not consider the damages cause to such affected communities by their activities or operations, their main aim is their profit motive which is been taken out of the country living our communities and people devastated (Nwilo et al.,2005; Omofonmwan et al., 2009; Chinedu et al.,2018; Ogunniran,2018). If National oil companies are encouraged, they are ready to abide by the reporting requirement of the Financial Reporting Council of Nigeria on sustainability reporting which for now is voluntary not mandatory. Therefore, National oil companies should be encouraged and oil spillage disclosure can be made mandatory for these oil companies in their annual report and financial statements to enable stakeholders be in the picture of happening events and necessary actions (Egbe et al.,2010; Ordinioha et al.,2013).

2.2 REVIEW OF EMPIRICAL LITERATURE

Environmental pollution is one of the critical aspect that oil companies pose to the host communities which need to be given proper attention by disclosing such in their annual report and financial statement (Babawale, 2013), the Ogoniland case is one of many issues in question. The study is also in line with (Owens,1991; Michel et al.,2013) studies which show that the damages occur normally by this oil spillage is likely to be greatest within the ecologically rich coastal zone. Environmental pollution may also occur in the aspect of air pollution through the release of harmful gas and chemical as a result of its operations which end up affecting the health of members of the host communities (Chukwuemeka et al.,2023), hence, need for such to be disclosed in their annual report and financial statement for effective action taken.

(K.E Ukhurebor et al., 2021) according to their study on need for awareness is vital foundation for mitigating the impacts of petroleum spillage. The study is of the opinion that such oil companies should be mandated by the Financial Reporting Council of Nigeria to disclose any environmental hazard poses by their operations in their annual report and financial statement as well as indicate measures to curtail such in the future alongside cautioning the effect on the host communities both on the short – term and long – term respectively (Babawale, 2013).

In 2017 the Petroleum Industry Bill (PIB) was split into four bills namely: Governance, Fiscal, Administration, and Host Community Bills, thereafter it was passed by both chambers of the National Assembly in 2018 but was no accented by the President. In 2020, the four bills were merged and represented to the National Assembly which was passed in 2021 and subsequently accented to as Petroleum Industry Act (PIA). The main issue here is the Host Community taken into consideration in the PIA therefore need for the listed oil companies to recognize same by adequately abiding by the principle of sustainability reporting as regards to environmental issues in their annual report and financial statements.

Oil theft is one of the critical concern within the host communities, according to National Petroleum Investment Management Services (NAPIMS, 2022), most oil and gas reserves are found in the Niger Delta which is the host community. And Nigerian upstream/downstream regulatory commissions reported in 2023 how Nigeria lost thousands of barrels of oil through oil theft. According to (Silas,2015) study, illegal oil bunkering and theft continued to threaten the survival of the nation's economy. This oil theft also account for oil spillage we are experiencing today and this is due to the destruction done to the ecosystem within the host community thereby rendering their economic life useless and high rate of unemployment within the host community (Nwilo et al.,2005; Omofonmwan et al.,2009; Egbe et al.,2010; Adebayo,2018) and (Campbell,2015, Bodo et al., 2018). Is on this note that the then Administration of Late President Musa Ar-Adua granted Amnesty programme in 2007 to the youth of the Niger Delta which was also carried during President Goodluck Jonathan's Administration too and manage by Niger Delta Development commission. Efforts have been put towards oil theft to reduce the rate of breaking oil pipes to steal oil thereby multiplying the level of oil spillage within the community (Silas,2015). Listed oil companies need to take steps by doing the needful such as reducing the level of damage to the ecosystem of the host community and where is inevitable, necessary measures should be put in place such as offering scholarship to the indigene members, employment opportunities etc, and such should be disclosed in their annual report and financial statement believing it may reduce the rate of oil theft to the bearest minimum as well as oil spillage.

Oil spillage has caused serious community degradation by reducing the host communities to become ghosts of themselves (Fergusson,1990; Shallari et al.,1998, Tchounwon et al.,2012, Sardar et al.,2013, Chinedu et al.,2018). (Merv .F et al.,2014) carried out a study which identifies and focusses on recent advances in dispersant effectiveness, toxicity and biodegradation in reducing the impact of oil spillage . The British Statements of Recommended Practices (SORP) (4) (1986) by the UK Oil Industry Accounting Committee: Disclosures for oil and gas exploration and production operations (1986). It shows that at any level of oil and gas exploration and production operations; disclosure is very essential, this includes the level of oil spillage that occurs to the host community; which needs to be disclosed too. This will reduce the level of community degradation within the country by the operations of these listed oil companies and at the same time enhancing relationship and better working condition for all.

2.3 THEORETICAL REVIEW

The study theoretical review seems to focus much on the theories of environmental disclosure of sustainability reporting as oil spillage has caused more harm to host communities' environments (Babawale,2013;Chukwuemeka et al.,2023), hence its disclosure too. The study theoretical reviews of the aforementioned theories of environmental disclosure back up the need for oil spillage disclosure to form part of the annul report and financial statement of listed oil companies in accordance to Legitimacy, Stakeholders, Accountability, Institutional and Positive accounting theory respectively as against Agency theory which disclosure has to do with the authority of the principal (Owens,1991; Michel et al.,2013). Hence, disclosure of such a critical environmental damage like oil spillage has to be a mandatory reporting requirement for necessary actions or remedies.

3.0 METHODOLOGY

The study adopts a quantitative design method because is a research approach that seeks to gather information in terms of responses that can be quantified. In using this method, questionnaires were issued out across five listed oil companies sampled for the study. This is done to sample the view of the 80 respondents through the issued questionnaires which is randomly selected to avoid any bias, 72 questionnaires were successfully returned out of the 80 issued out which the study based its findings. The study also engaged in personal interviews and at the same time use of media stations interviews and documentaries on related subject or topic of study as means of gathering data. In fact, primary source of data collection is been adopted in the study.

The dependent variable of the study which is annual report and financial statement is measured by the following independent variables environmental pollution, oil theft, community degradation and land recovery which regression analysis statistical technique is used to test the hypotheses for the study. The functional relationship is given as follows.

RS = f(EP, OT, CD, LR ....(1)

With the above equation, the study arrived at a model which is presented as below:

ARFSit =

Table 1. Descriptive statistics of variables

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ENVIRONMENTAL POLLUTION	72	1	4	3.44	0.669
OIL THEFT	72	3	4	3.60	0.494
COMMUNITY DEGRADATION	72	1	4	3.33	0.605
LAND RECOVERY	72	1	4	3.50	0.584
ANNUAL REPORT&FIN.STATEMENT	72	1	4	3.08	0.603

Source SPSS Output result:

Annual Report and Financial statement has a mean of 3.08 with a standard deviation of 0.603, a minimum of 1, and a maximum of 4 suggesting that there was a wide dispersion in annual report and financial statement disclosure of listed oil companies in Nigeria. Environmental pollution has a mean of 3.44 with a standard deviation of 0.669, minimum and maximum values of 1 and 3.44 respectively. This also suggested a wide dispersion in environmental pollution disclosure by listed oil companies in Nigeria because some of the oil companies do not give adequate attention to that. Furthermore, oil theft had a mean value of 3.60 and standard deviation value of 0.494 indicating a very wide dispersion and this may be due to the fact that listed oil companies in Nigeria do not have a standard for oil theft disclosure since it is not a mandatory reporting requirement.

Similarly, Community degradation had a mean and standard deviation value of 3.33 and 0.605 respectively, still implying that on the average there were much differences in community degradation disclosure among listed oil companies in Nigeria because there is a wide dispersion in its values of standard deviation. The maximum community degradation was 4, indicating that there was an equal wide dispersion as compare to environmental pollution.

Considering land recovery, there was a mean value of 3.50 with a standard deviation of 0.584 indicating that there was a wide dispersion between land recovery disclosure on the annual report and financial statement of various listed oil companies in Nigeria.

The correlation between the dependent and independent variables is presented in table 2 and it shows that there is a positive correlation between the dependent variable (Annual Report and Financial statement) and all the independent variables (Environmental pollution, Oil theft, Community Degradation, and Land recovery)

Table 2A : Correlation Matrix of Dependent and Independent variables

Model			LAND RECOVERY	COMMUNITY DEGRADATION	ENVIRONMENTAL POLLUTION	OIL THEFT
1	Correlations	LAND RECOVERY	1.000			
		COMMUNITY DEGRADATION	-.124	1.000		
		ENVIRONMENTAL POLLUTION	-.168	-.031	1.000	
		OIL THEFT	.183	-.153	-.369	1.000
	Covariances	LAND RECOVERY	.014	-.002	-.002	.003
		COMMUNITY DEGRADATION	-.002	.012	.000	-.002
		ENVIRONMENTAL POLLUTIONf	-.002	.000	.011	-.006
		OIL THEFT	.003	-.002	-.006	.022

TABLE 2B

Variables	VIF
Environmental pollution	1.18
Oil theft	1.211
Community degradation	1.046
Land Recovery	1.060

Source: SPSS Software:

This implied that as these independent variables increase, the level of disclosure in annual report and financial statement of listed oil companies in Nigeria also increased. Hussain, Islam and Andrew (2006) suggested that multicollinearity may be a problem when the correlation between independent variables is 0.9 and above whereas Emory (1982)

considered more than 0.80 to be problematic. Therefore, it is evident from the above table that the magnitude of the correlation amongst the explanatory variables generally indicated no severe multicollinearity problems in the study because the highest correlation coefficient is 0.12 between annual report and financial statement index and community degradation at the covariance stage. To determine the presence of collinearity problem, a Variance Inflation Factor (VIF) test was carried out and the results provided evidence of the absence of collinearity because the results of the VIF test ranged from a minimum of 1.046 to a maximum of 1.211 and a mean of 3.33. VIF of 5.00 can still be proof of the absence of collinearity (Neter, Kutner, Nachtsheim & Wasserman 1996).

The multiple regression results of Annual Report and Financial statement index as the dependent variable and the independent variables of Environmental pollution, Oil theft, Community degradation, and Land Recovery are presented in table 3 below.

Table 3 Regression Results

Ind. Variables	Coefficients OLS	Standard Error OLS	T Statistics OLS	P-Values
Constants	2.979	0.706	4.218	0.005
Env Pol	-209	0,107	-1.960	0.54
Oil theft	0.063	0.147	0.426	0.672
Comm Degd	0.026	0.111	0.231	0.672
Land Recover	0.164	0.116	1.411	0.163
No of Obs	72	72	72	72
R-Squared	0.077			
Adjusted R-Squared	0.019			
F-Statistic	1.331			
P-Value	0.005			

Source: SPSS Outputs2020 based on study data

From the p-value of 0.005 which was statistically significant, the validity of the model under each of the estimations was evident. The R-squared of 7.7% showed that the change in annual report and financial statement was accounted for by the explanatory (independent) variables. This implied that the independent variables can explain 7.7% of the changes in the dependent variable under the multiple regressions analysis. The adjusted R-Square shows that even after adjusting for the degree of freedom, the model could explain about 1.9% of the changes in the dependent variable. Furthermore, the F-statistics of 1.331 and p-value of 0.005 confirmed the fitness of the model.

From table 3 above, Environmental pollution had a negative coefficient of -209 with a p-value of 0.54 at a 5% level of significance. The implication of this is that, as environmental pollution disclosure increased the level of reporting in annual report and financial statements also decreased. Based on this finding, the study accepted the null hypothesis which stated that there is no significant effect of environmental pollution disclosure on annual report and financial statement of listed oil companies in Nigeria, because the probability value of 0.54 is higher than 5% level of significance (0.54>5%).

Furthermore, oil theft has a positive coefficient of 0.063 and a p-value of 0.672 at a 5% level of significance. This implied that oil theft disclosure is significant and positively related to annual report and financial statement of listed oil companies in Nigeria because the probability value of 0.672 and 0.063 are both positive as well as more than a 5% level of significance (0.672>5%). Based on this finding the study accepted the null hypothesis which stated that there is no significant effect of oil theft disclosure on annual report and financial statement of listed oil companies in Nigeria. The findings of this study is supported to that of Haniffa and Cooke (2005) who found a negative effect of oil theft disclosure on reporting statement.

Also considering community degradation, the multiple regressions estimated a positive and significant effect of community degradation disclosure on annual report and financial statement of listed oil companies with a positive coefficient and p-values of 0.026 and 0.672 respectively. The implication of this is that, as the community degradation disclosure increases, the level of annual report and financial statement also increased. Based on this finding, the study accepted the null hypothesis which stated that there is no significant effect of community degradation disclosure on annual report and financial statement of listed oil companies in Nigeria because the probability value of 0.672 is greater than 5% level of significance (0.672>5%)..

In addition, the multiple regression results showed a positive coefficient of 0.164 and a p-value of 0.163 for Land recovery disclosure and this implied that as the land recovery disclosure increased on the annual report and financial statement, listed oil companies increased the level of reporting too but at insignificant level. Based on this finding, the study accepts the null hypothesis which stated that there is no significant effect of land recovery disclosure on annual report and financial statement of listed oil companies in Nigeria because a probability value of 0.163 was more than a 5% level of significance (0.0.163>5%). The finding opposes those of Bear and Rahman (2010) who found a positive and significant relationship between land recovery disclosure and annual report and financial statement. In fact, the study completely accept all the tested hypotheses which showed that there was no any significance effect of environmental pollution disclosure. Oil theft disclosure, community degradation disclosure and land recovery disclosure on the annual report and financial statement of listed oil companies in Nigeria.

5.0 CONCLUSION AND RECOMMENDATIONS

In conclusion, the effect of oil spillage disclosure on the annual report and financial statement of listed oil companies in Nigeria is critically examined in the course of the study, in which the causes of oil spillage on the host communities as well as its implications and need for disclosure of such in the annual report and financial statement of listed oil companies. Environmental pollution , oil theft, community degradation and land recovery disclosures respectively were taken into consideration in which a hypotheses tests were carried out each, but the tested hypotheses were accepted all which indicated that there were no significance effect of such disclosures in the annual report and financial statement of listed oil companies. Notwithstanding the result of the hypotheses, the study still recommend that such should be looked at carefully to alleviate the suffering of the host communities.

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