

ANALYSIS OF THE ISSUES AND CHALLENGES OF THE SUPREME COURT JUDGMENT ON THE ONSHORE/OFFSHORE OIL DICHOTOMY AND ITS FISCAL IMPLICATIONS ON THE POLITY*

Abstract

This paper analyzed the issues and challenges emanating from the Supreme Court judgment on the onshore/offshore oil dichotomy in Nigeria and its fiscal implications for intergovernmental relations and national development. The study adopted a qualitative research design and relied primarily on secondary data, including judicial decisions, constitutional provisions, policy papers, and scholarly literature. Anchored on Fiscal Federalism Theory and Resource Control Theory, the paper interrogated how constitutional interpretation, fiscal allocation, and political negotiation intersect in Nigeria's resource governance. The findings revealed that the 2002 Supreme Court judgment, which declared that offshore oil resources belong exclusively to the Federal Government, significantly altered revenue distribution patterns and intensified federal-state tensions. Although the Offshore/Onshore Dichotomy Abrogation Act of 2004 attempted to address these imbalances, implementation gaps and persistent agitation for resource control remain unresolved. The study concluded that the dichotomy issue exposes deeper structural flaws in Nigeria's fiscal federalism and calls for reforms that promote equity, accountability, and cooperative federalism. It recommended constitutional clarity on resource ownership, strengthened fiscal transparency, equitable derivation principles, and environmental compensation mechanisms for oil-producing states. These reforms, if effectively implemented, would foster inclusive development and strengthen the Nigerian federation.

Keywords: Onshore/Offshore Dichotomy, Supreme Court Judgment, Fiscal Federalism, Resource Control, Nigeria.

1. Introduction

The discovery of crude oil in Oloibiri, Bayelsa State, in 1956 marked a turning point in Nigeria's economic history¹. Since then, petroleum has become the backbone of the nation's economy, contributing over 80% of government revenue and about 90% of foreign exchange earnings². While oil wealth has fueled infrastructural growth and supported national budgets, it has also generated intense political, economic, and legal controversies particularly concerning the ownership, control, and distribution of oil-derived revenues among the tiers of government³. These disputes have shaped Nigeria's fiscal federalism and remain a persistent source of tension between the central government and oil-producing states⁴. The onshore/offshore dichotomy controversy emerged from disagreements over whether oil resources located beyond the low-water mark (offshore) belong to the federal or state governments. This debate culminated in the landmark Supreme Court judgment of April 5, 2002, in *Attorney-General of the Federation v. Attorney-General of Abia State & Others*⁵. The Court ruled that natural resources found within the territorial waters and continental shelf of Nigeria are under the exclusive control of the Federal Government, as they constitute part of the 'Exclusive Economic Zone.' Consequently, littoral (coastal) states could no longer claim derivation-based revenues from offshore oil production. This ruling drastically reduced the 13% derivation revenue accruing to oil-producing states such as Akwa Ibom, Rivers, Bayelsa, and Delta, which depend heavily on petroleum proceeds for development⁶. The judgment sparked widespread political agitation, legislative intervention, and renewed debate over the equity and sustainability of Nigeria's fiscal federalism. Critics argued that the decision undermined the principle of derivation, a key tenet of true federalism, while reinforcing excessive centralization of fiscal power⁷. In response to mounting pressure from the Niger Delta states and civil society groups, the National Assembly passed the Offshore/Onshore Dichotomy Abrogation Act of 2004, which sought to restore fairness by allowing littoral states to benefit from offshore production up to 200 meters isobaths. Despite this intervention, implementation challenges, constitutional ambiguities, and persistent grievances continue to shape Nigeria's resource control discourse⁸. This study, therefore, seeks to critically analyze the issues and challenges arising from the Supreme Court judgment, assess its fiscal and political implications, and explore how it has influenced broader debates on resource ownership, revenue allocation, and national stability. It situates the controversy within the framework of Nigeria's evolving federal structure, highlighting the need for equitable resource governance and cooperative federalism to sustain national unity and development.

2. Methodology

The study employed a qualitative and analytical approach, utilizing secondary sources of data such as court judgments, constitutional provisions, government reports, journal articles, and relevant legal texts. Data were analyzed thematically to highlight the legal, fiscal, and political dimensions of the onshore/offshore oil dichotomy. The doctrinal research method was adopted to interpret judicial pronouncements and legislative interventions, while the descriptive method was used to explain the fiscal implications of the dichotomy on Nigeria's polity.

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¹Watts, M. (2008). Petro-Insurgency and the Political Ecology of Oil in the Niger Delta. *African Affairs*, 107(426), 47-63.

²Ikein, A. (2009). *The impact of oil on a developing country: The case of Nigeria*. Praeger Publishers.

³Suberu, R. T. (2001). *Federalism and ethnic conflict in Nigeria*. Washington, DC: United States Institute of Peace Press.

⁴Arowolo, D. (2011). Fiscal federalism in Nigeria: Theory and dimensions. *Afro Asian Journal of Social Sciences*, 2(2), 1-21.

⁵(2002) 6 NWLR (Pt. 764) 542

⁶Ojo, E. O. (2014). Federalism and the search for national integration in Nigeria. *African Research Review*, 8(1), 1-21.

⁷Akin, D., & Olaopa, O. (2002). *The Nigerian Federalism: The Problem of the Onshore/Offshore Dichotomy and Resource Control*. Nigerian Journal of Policy and Development, 3(2), 45-62.

⁸Ikein ibid at p.19

3. Literature Review

Conceptual Review

The discourse on Nigeria's onshore/offshore oil dichotomy is deeply rooted in the broader debates surrounding fiscal federalism, resource control, and equitable revenue allocation in a multi-ethnic federation. Fiscal federalism, as conceptualized by Suberu⁹ and Watts, entails the distribution of financial powers and resources between levels of government in a manner that ensures both national cohesion and regional autonomy. However, in resource-dependent federations like Nigeria, this balance often becomes a site of political contestation and economic inequality. Historically, the principle of derivation formed the cornerstone of Nigeria's revenue allocation formula during the pre-independence and First Republic eras. Regions were entitled to retain up to 50% of the proceeds from natural resources produced within their territories. This arrangement reflected a genuine federal spirit and promoted regional competition and accountability. However, the Nigerian Civil War (1967–1970) and subsequent military centralization progressively eroded the derivation principle, reducing regional fiscal autonomy and increasing dependence on federal allocations. According to Arowolo¹⁰, the erosion of fiscal federalism undermines the equitable distribution of wealth and exacerbates regional grievances, particularly among oil-producing states. He argues that excessive centralization contradicts the spirit of federalism, generating discontent and a sense of exclusion. Similarly, Ikein¹¹ interprets the onshore/offshore controversy as a symptom of deeper structural inequities rooted in Nigeria's political economy where the Niger Delta, despite being the country's economic lifeline, continues to suffer environmental degradation, underdevelopment, and social neglect. Ojo provides a legal perspective, asserting that the Supreme Court's 2002 ruling in *Attorney-General of the Federation v. Attorney-General of Abia State & Others* reflected a rigid legal positivist approach. By prioritizing territorial definitions and constitutional technicalities, the Court overlooked the socio-economic realities and distributive justice concerns of oil-bearing communities. The judgment, while legally defensible, was politically and morally contentious as it reduced the derivation revenue accruable to littoral states, deepening their economic vulnerability and fueling renewed calls for resource control and fiscal restructuring.¹²

The Offshore/Onshore Dichotomy Abrogation Act of 2004, enacted under President Olusegun Obasanjo, sought to mitigate these grievances by granting littoral states' rights to offshore oil revenues within 200 meters of isobaths. Nonetheless, scholars such as Ikein¹³ and Aigbokhan note that the law's implementation has been inconsistent, and its provisions remain subject to political manipulation and bureaucratic ambiguity. As a result, littoral states argue that they continue to experience fiscal marginalization and limited developmental impact despite their contribution to national wealth. Overall, the literature converges on the view that the onshore/offshore dichotomy dispute is emblematic of Nigeria's enduring fiscal centralism and the contradictions of its federal structure. Scholars emphasize the need for comprehensive constitutional and fiscal reforms to balance national unity with regional equity, enhance transparency in resource governance, and promote genuine federalism.¹⁴

4. Theoretical Framework

This study is anchored on Fiscal Federalism Theory and Resource Control Theory, both of which provide a conceptual foundation for understanding the tensions inherent in Nigeria's management of oil revenues and fiscal relations between the federal and subnational governments Ekpo¹⁵.

Fiscal Federalism Theory: Fiscal federalism theory explains the optimal allocation of responsibilities, functions, and financial resources among different levels of government in a federal system. Oates emphasizes that an efficient federation must strike a balance between central authority and subnational autonomy to ensure equity, accountability, and responsiveness to local needs. In the Nigerian context, however, the concentration of revenue control at the federal level especially over oil derived from offshore fields has undermined fiscal decentralization.¹⁶ As notes, the post-1970s federal dominance over resource revenues weakened state autonomy, making states increasingly dependent on federal allocations. The Supreme Court's 2002 judgment on the onshore/offshore dichotomy further exemplified this imbalance by reaffirming exclusive federal ownership of offshore oil resources, thereby curtailing the financial independence of littoral states.

Resource Control Theory: Resource control theory advocates that regions or communities endowed with natural resources should have the right to manage and derive equitable benefits from them.¹⁷ argue that fiscal arrangements should reflect distributive justice and environmental responsibility. Within Nigeria, this theory highlights the struggles of Niger Delta

⁹ Ibid at p. 19

¹⁰ Arowolo op cit p. 18

¹¹ Ikein ibid p. 18

¹² Suberu, R. T. (2010). *The Nigerian Federal System: Performance, Problems and Prospects*. Journal of Federal Studies, 1(1), 67–85.

¹³ Ibid at p. 19

¹⁴ Suberu op cit at 13

¹⁵ Ekpo, A. H. (2004). Intergovernmental Fiscal Relations: The Nigerian Experience. *Paper presented at the 10th Anniversary of the Financial and Fiscal Commission of South Africa*, Cape Town.

¹⁶ Suberu Ibid

¹⁷ Watts, M. (1999). Petro-Violence: Some Thoughts on Community, Extraction, and Political Ecology. *Berkeley Workshop on Environmental Politics*, University of California.

states seeking control over their oil wealth as compensation for environmental degradation and economic marginalization.¹⁸ The onshore/offshore dichotomy, therefore, symbolizes broader questions of justice, ownership, and equity in federal governance. Together, these theories illuminate how the interplay between centralized fiscal control and regional demands for autonomy shapes Nigeria's resource politics. They also underscore the need for constitutional and policy reforms to promote fiscal justice, equitable resource distribution, and sustainable federalism in Nigeria.

5. The Onshore/Offshore Oil Dichotomy and Its Fiscal Implications on the Polity

The onshore/offshore oil dichotomy in Nigeria occupies a central place in scholarship on resource politics, fiscal federalism, and federal stability. Literature on the subject spans legal analysis, political economy, environmental justice, and public finance. This review synthesizes key contributions under five interrelated themes: historical and constitutional context; judicial and legislative responses; fiscal federalism and revenue allocation; socio-environmental impacts and distributive justice; and implementation, governance, and policy gaps.

Historical and Constitutional Context

Scholarship locates the roots of contemporary conflict in the colonial and early post-colonial arrangements that shaped Nigeria's federal compact and revenue sharing¹⁹. During the colonial and First-Republic eras, derivation was a dominant principal regions retained a substantial share of resource proceeds yet post-Civil War centralization and later constitutional reforms progressively reduced regional shares and expanded federal control.²⁰ The 1999 Constitution did not explicitly resolve ownership of oil in territorial waters and the continental shelf, creating interpretive space that later produced the onshore/offshore controversy.²¹

Judicial and Legislative Responses

The controversy reached a peak with the Supreme Court's decision in *Attorney-General of the Federation v. Attorney-General of Abia State & Ors* (2002), which affirmed federal ownership of offshore resources and limited littoral states' claims to derivation from offshore production. Legal scholars have debated the Court's reliance on constitutional and statutory interpretation versus broader distributive justice considerations: some argue the judgment adhered to a textualist reading of national jurisdiction over the continental shelf, while critics contend it ignored socio-economic realities of oil-bearing communities.²² Political pressure and public outcry led to legislative action the Offshore/Onshore Dichotomy (Abrogation) Act (2004) intended to restore derivation benefits to littoral states. Yet scholars highlight ambiguities in the act and challenges in harmonizing judicial pronouncements with legislative remedies.

Fiscal Federalism and Revenue Allocation Impacts

From a public-finance perspective, the dichotomy directly implicates fiscal federalism: who controls resource rents, and how are they shared? Oates's framework of fiscal federalism (as applied to resource federations) suggests subnational access to resource revenue supports local accountability and tailored public goods provision.²³ Empirical and normative studies of Nigeria show that centralization of oil rents reinforced by judicial rulings has skewed revenue allocation, undermined state fiscal autonomy, and increased dependency on federally controlled transfers²⁴. This distortion has implications for development planning, intergovernmental relations, and the incentives for local revenue mobilization.

Environmental Justice, Local Grievances and Security

A robust strand of literature connects the fiscal debate to environmental degradation and the politics of grievance in the Niger Delta. Scholars such as Watts and Obi emphasize that whether revenue is shared or not, coastal communities bear the environmental and livelihood costs of extraction oil spills, erosion, fisheries collapse while often receiving limited compensation or development.²⁵ The perception of distributive injustice has fuelled agitation, militancy, and demands for resource control, indicating that fiscal arrangements cannot be dissociated from environmental remediation and participatory governance.

Implementation, Governance, and Policy Gaps

Analyses consistently identify implementation failures, weak institutions, and lack of transparency as persistent obstacles. The Abrogation Act provided a legislative fix but implementation has been uneven, with states differing in their capacity to claim and manage revenue, and federal administrative practices sometimes undermining statutory intent.²⁶ Corruption,

¹⁸ Ikein, A. (2009). *The Impact of Oil on a Developing Country: The Case of Nigeria*. Praeger Publishers.

¹⁹ Suberu op cit at 32

²⁰ Arowolo Ibid

²¹ Ojo, E. O. (2014). Resource Control, Revenue Allocation and Petroleum Politics in Nigeria: The Niger Delta Question Revisited. *African Research Review*, 8(1), 32–48.

²² Ikein op ci tar 14

²³ Oates, W. E. (1972). *Fiscal Federalism*. Harcourt Brace Jovanovich.

²⁴ World Bank. (2018). *Nigeria Economic Update: Beyond Oil Dependence*. Washington, DC:

²⁵ Obi, C. (2009). Nigeria's Niger Delta: Understanding the complex drivers of violent oil-related conflict. *African Development*, 34(2), 103–128.

²⁶ Aigbokhan, B. E. (2013). *Fiscal federalism and resource control in Nigeria: Implications for macroeconomic stability*. Nigerian Journal of Economic and Social Studies, 55(2), 143–165.

opaque revenue flows, delayed disbursements, and litigation over boundary and measurement issues further complicate the fiscal landscape.²⁷

Synthesis and Emergent Gaps in the Literature

The literature converges on several observations: (1) the onshore/offshore dichotomy exemplifies the tensions between national sovereignty and regional equity in resource federations; (2) judicial rulings have profound fiscal and political consequences that legislative responses have struggled to neutralize; and (3) environmental harm and weak governance amplify grievance even where revenue sharing exists. Key gaps remain: comparative empirical studies quantifying the net fiscal impacts of the 2002 judgment and the 2004 Abrogation Act are limited; there is inadequate longitudinal analysis of how revenue changes have affected development outcomes in littoral states; and scholarship has only partially explored institutional designs such as conditional transfers, ecological compensation funds, or joint management models that might reconcile national interests with subnational justice.

6. Country-Level Case Studies on the Onshore/Offshore Dichotomy and Fiscal Implications

Scholarship on Nigeria's onshore/offshore oil dichotomy treats the dispute as a prism through which broader tensions in fiscal federalism,²⁸ resource governance, and environmental justice are revealed.²⁹ The 2002 Supreme Court ruling that affirmed federal ownership of offshore resources and the 2004 Offshore/Onshore Dichotomy (Abrogation) Act that followed have produced uneven fiscal outcomes, political contestation, and implementation problems across oil-producing states. Country-level examinations focusing on Bayelsa, Rivers, Akwa Ibom and Delta help show how legal rules translate into local realities.

The core legal contention stems from ambiguities in the 1999 Constitution regarding ownership and derivation rights for resources found beyond the low water mark and on the continental shelf. While the derivation principle historically provided a direct fiscal channel to producing regions, centralization after the civil war and subsequent judicial interpretations have curtailed subnational claims. The Supreme Court's textualist approach in *Attorney-General v. Attorney-General (Abia State & Ors)* (2002) prioritized national jurisdiction over distributive equity, producing a legislative backlash epitomized by the 2004 Abrogation Act whose implementation remains contested.³⁰

Bayelsa State

Bayelsa site of Oloibiri and administration headquarters of many Niger Delta communities epitomizes the paradox of resource-rich underdevelopment. Scholars document how Bayelsa's economy and social infrastructure remain underdeveloped despite substantial oil production in adjacent offshore fields.³¹ The 2002 judgment initially threatened to reduce derivation receipts for Bayelsa and neighbouring littoral states, provoking intense political mobilization. While the 2004 Abrogation Act restored some fiscal entitlements, Bayelsa's developmental shortfalls persist due to weak institutional capacity, environmental remediation deficits, and opaque revenue management.³² Case literature highlights a mismatch between revenue flows and local investments in health, education and infrastructure, aggravating perceptions of injustice and fuelling community discontent.

Rivers State

Rivers State, historically a major onshore producer, has been profoundly affected by the offshore/onshore debate: shifting legal interpretations altered municipal expectations about derivation revenue and fiscal planning.³³ Rivers' experience underscores how court rulings that centralize offshore rents can complicate state budgetary predictability and service delivery. Empirical accounts note that when anticipated revenue streams fall (or become legally contested), local governments struggle with recurrent expenditures and capital projects, amplifying patronage politics and local unrest.³⁴

Akwa Ibom

Akwa Ibom provides an instructive contrast: it has leveraged its resource base to develop some state-led initiatives, but it also faces environmental liabilities from offshore production³⁵. The literature shows that even where states have capacity to manage revenues, offshore legal uncertainty creates planning risks investments in public goods, conditional transfers and

²⁷ World Bank. (2018). *Nigeria: Systematic country diagnostic Transitioning to a more prosperous, equitable, and resilient Nigeria*. Washington, DC: World Bank.

²⁸ Suberu op cit at 45

²⁹ Oates, W. E. (1972). *Fiscal Federalism*. New York: Harcourt Brace Jovanovich.

³⁰ Aigbokhan, B. E. (2013). Fiscal Federalism and Resource Control in Nigeria: A Critical Appraisal. *Nigerian Journal of Economic Studies*, 4(2), 55–72.

³¹ Ikein Ibid at 30

³² Obi op cit at 43

³³ Arowolo, D. (2011). Fiscal Federalism in Nigeria: Theory and Practice. *International Journal of Academic Research in Business and Social Sciences*, 1(2), 28–42.

³⁴ World Bank op cit at 20

³⁵ Aigbokhan ibid at 21

local contracting can be undermined by litigation and delayed federal disbursements. The Akwa Ibom case illuminates how institutional capacity and governance quality mediate the fiscal impacts of the dichotomy.³⁶

Delta State

Delta State, with extensive onshore deposits and proximity to offshore fields, exemplifies the intersection of environmental harm and contentious revenue politics.³⁷ Researchers link chronic oil pollution and weakened livelihoods to heightened demands for resource control and environmental compensation.³⁸ Empirical studies indicate that reduced or uncertain derivation receipts compounded by implementation failures of legislative remedies intensify local grievances, sometimes translating into militia mobilization and criminality that further undermine developmental prospects³⁹.

Cross-Case Synthesis: Fiscal and Political Dynamics

Across these states the literature identifies several recurrent dynamics:

Fiscal unpredictability and weakened state autonomy. Judicial centralization of offshore rents reduced predictable revenue streams for littoral states, constraining their fiscal planning and increasing dependence on federal transfers.⁴⁰

Implementation gaps: The 2004 Abrogation Act's provisions have been variously implemented; administrative opacity and litigation over measurement and boundaries persist.⁴¹

Environmental-compensation disjuncture: States and communities that bear environmental costs often receive inadequate and delayed fiscal redress, undermining the legitimacy of revenue sharing.⁴²

Institutional capacity matters: Relative governance strength at the state level explains divergent developmental outcomes: where institutions are stronger (some Akwa Ibom programs), revenues yield visible gains; where institutions are weak (parts of Bayelsa, Delta),⁴³ revenue windfalls fail to translate into public goods.⁴⁴

Political economy feedbacks: Perceived injustices feed political agitation, which in turn shapes legal contestation, legislative responses, and policy instability creating a cycle that inhibits long-term investment and cooperative federalism⁴⁵.

7. Policy and Research Gaps Identified in the Literature

Despite rich qualitative accounts, the literature has notable gaps: (1) limited longitudinal quantitative analyses measuring the net fiscal impact of the 2002 ruling and the 2004 Act on state development indicators; (2) few comparative studies that control for governance quality to isolate the effect of revenue changes; (3) scarce evaluations of remedial institutional designs (ecological funds, joint management regimes, conditional transfers) on poverty and environmental restoration; and (4) insufficient attention to how offshore contracting regimes and oil-sector fiscal instruments (royalties, rents, production sharing) interact with subnational fiscal structures. However, Country-level studies of Bayelsa, Rivers, Akwa Ibom and Delta confirm that the onshore/offshore dichotomy is more than a constitutional technicality: it shapes fiscal autonomy, environmental justice, social stability and development trajectories. The literature converges on the need for integrated reforms constitutional clarity, stronger intergovernmental fiscal mechanisms, transparent revenue management, and structured environmental compensation to reconcile national sovereignty with subnational equity and sustain Nigeria's federation.

8. Findings of the Study

The study revealed several interrelated findings concerning the Supreme Court judgment on the onshore/offshore oil dichotomy and its fiscal, political, and socio-economic implications for Nigeria's federal system.

Centralization of Revenue Control and Erosion of Fiscal Federalism: The study revealed that the Supreme Court judgment of April 2002 in *Attorney-General of the Federation v. Attorney-General of Abia State & Others* reinforced fiscal centralism by transferring ownership and control of offshore oil resources exclusively to the federal government.⁴⁶ This judicial interpretation eroded the fiscal autonomy of littoral states such as Akwa Ibom, Rivers, Bayelsa, and Delta, which had previously benefited from the 13% derivation principle.⁴⁷ The decision widened the gap between constitutional theory and fiscal practice, as Nigeria's federal system became more unitary in resource control.⁴⁸ Consequently, states' capacity for independent development was severely constrained.

Revenue Imbalance and Developmental Disparities: Findings indicate that the judgment deepened fiscal inequalities between oil-producing and non-oil-producing states. Before the ruling, littoral states earned significant derivation revenues,

³⁶ Ojo *ibid* at 32

³⁷ Frynas, J. G. (2000). *Oil in Nigeria: Conflict and litigation between oil companies and village communities*. Hamburg: LIT Verlag.

³⁸ Obi *op cit* at 50

³⁹ Watts *op cit* at 67

⁴⁰ Arowolo *ibid* at 21

⁴¹ Aigbokhan *op cit* at 69

⁴² Frynas *ibid* at 45

⁴³ Obi *op cit* at 65

⁴⁴ Aigbokhan *ibid* at 47

⁴⁵ Suberu *op cit* at 90

⁴⁶ Suberu, R. T. (2001). *Federalism and Ethnic Conflict in Nigeria*. United States Institute of Peace Press.

⁴⁷ Arowolo *ibid* at 73

⁴⁸ Watts, R. L. (1999). *Comparing federal systems*. Montreal: McGill-Queen's University Press.

which supported social services and infrastructure. The reclassification of offshore oil fields as federal property resulted in sudden revenue shortfalls, disrupting budgetary stability and development planning.⁴⁹ Although the Offshore/Onshore Abrogation Act of 2004 sought to restore balance, its partial implementation and lack of clarity led to continuing fiscal disparities and grievances.⁵⁰

Intensification of Resource Control Agitations: The study found that the Supreme Court's decision intensified calls for resource control and fueled political agitation across the Niger Delta. The ruling was widely interpreted as an act of fiscal injustice, leading to renewed militancy and civil unrest, particularly between 2003 and 2009. Groups such as the Movement for the Emancipation of the Niger Delta (MEND) framed their resistance as a response to economic exclusion and environmental degradation.⁵¹ This period saw increased attacks on oil infrastructure, loss of production, and growing insecurity, underscoring the judgment's unintended socio-political consequences.

Weak Institutional Implementation and Administrative Ambiguity: The research observed that the 2004 Abrogation Act faced weak institutional enforcement and poor administrative interpretation. The National Boundary Commission and the Revenue Mobilization Allocation and Fiscal Commission (RMAFC) often disagreed over maritime boundary demarcations, causing delays and inconsistencies in derivation payments⁵². Oil companies also exploited these ambiguities to underreport production volumes. This institutional weakness has perpetuated distrust between state and federal governments, reducing transparency in fiscal allocation.⁵³

Environmental and Socioeconomic Marginalization: The findings showed that while the federal government retained fiscal control of offshore oil, the environmental and social costs remained local. Littoral communities continue to experience pollution, coastal erosion, and declining fisheries without direct compensation or inclusion in fiscal benefit-sharing mechanisms.⁵⁴ Offshore exploitation, though less visible than onshore drilling, has destroyed marine ecosystems and displaced local livelihoods. This environmental injustice perpetuates the paradox of 'poverty amid plenty' in the Niger Delta.⁵⁵

Weakening of Cooperative Federalism: The judgment strained intergovernmental relations by deepening mistrust between the federal and state governments. The lack of transparent consultation mechanisms in resource governance led to policy incoherence and duplication of development initiatives.⁵⁶ The centralization of fiscal powers undermined cooperative federalism, limiting the ability of subnational units to engage in meaningful revenue generation and fiscal planning.

Persistent Inequality Despite Fiscal Adjustments: Despite the enactment of the 2004 Abrogation Act, developmental inequality persists among oil-producing states. States such as Akwa Ibom and Rivers have recorded moderate economic growth due to political stability and better governance, while Bayelsa and Delta remain underdeveloped due to corruption, insecurity, and weak institutions.⁵⁷ This underscores that fiscal redistribution alone is insufficient without complementary governance and transparency reforms.

Legal Ambiguities and Constitutional Gaps: The findings also revealed that Nigeria's constitutional framework lacks clarity on the ownership and jurisdiction of natural resources, especially offshore oil. The 1999 Constitution vests ownership of mineral resources in the federal government without specifying maritime boundaries. This legal ambiguity created room for conflicting judicial interpretations, repeated litigation, and legislative inconsistency⁵⁸. Scholars such as argue that true fiscal federalism requires explicit constitutional reform to balance national sovereignty with subnational rights.⁵⁹

Overall, the findings demonstrate that the onshore/offshore oil dichotomy judgment, while legally grounded, produced adverse fiscal and political consequences. It entrenched federal dominance in resource management, weakened fiscal autonomy of states, and intensified regional grievances in the Niger Delta. Although the Offshore/Onshore Abrogation Act of 2004 attempted to correct the imbalance, its limited enforcement and constitutional vagueness have hindered equitable resource governance. Sustainable resolution requires comprehensive constitutional reform, institutional transparency, and genuine fiscal decentralization.

⁴⁹ Ojo op cit at 20

⁵⁰ Aigbokhan op cit at 41

⁵¹ Ikein ibid at 40

⁵² Aigbokhan op cit at 55

⁵³ World Bank, op cit at 33

⁵⁴ Frynas, J. G. (2000). *Oil in Nigeria: Conflict and Litigation between Oil Companies and Local Communities*. Crisis States Research Centre.

⁵⁵ Obi, C. (2009). Nigeria's Niger Delta: Understanding the Complex Drivers of Violent Conflict. *African Development*, 34(2), 63–95.

⁵⁶ Suberu op cit at 44

⁵⁷ Ojo op cit at 66

⁵⁸ Aigbokhan, op cit at 33

⁵⁹ Watt ibid at 21

9. Conclusion and Recommendations

The study concluded that the Supreme Court judgment on the onshore/offshore oil dichotomy, though intended to clarify constitutional ambiguities regarding the ownership and control of offshore resources, had far-reaching fiscal, political, and social implications on Nigeria's federal structure. The judgment effectively centralized resource control in the hands of the federal government, weakening the fiscal autonomy of littoral states and undermining the principles of fiscal federalism enshrined in Nigeria's constitution. Empirical findings revealed that the ruling intensified resource control agitations, widened fiscal disparities between oil-producing and non-oil-producing states, and created administrative ambiguities that weakened intergovernmental cooperation. Despite the enactment of the Offshore/Onshore Abrogation Act of 2004, institutional inefficiencies, poor boundary demarcation, and political interference have continued to hinder equitable revenue distribution and sustainable development in the Niger Delta region. The study further established that the centralization of revenue authority has perpetuated mistrust between federal and state governments, leading to calls for constitutional restructuring and fiscal decentralization. The environmental and socioeconomic burdens borne by oil-bearing communities have not been matched by corresponding fiscal benefits, resulting in persistent underdevelopment, social unrest, and insecurity. In essence, while the Supreme Court judgment resolved a legal question of ownership, it failed to address the broader political economy of justice, equity, and development. The findings underscore the need for a balanced resource governance framework that ensures both national unity and subnational fiscal empowerment. Only through transparent, equitable, and constitutionally grounded fiscal relations can Nigeria achieve true federalism and sustainable peace in its oil-rich regions.

Based on the findings and conclusion of the study, the following recommendations are proposed: There is an urgent need for constitutional amendment to clearly define the ownership, jurisdiction, and revenue-sharing formula for offshore resources. Such reform should empower subnational governments to benefit equitably from resources within their maritime boundaries while ensuring federal oversight for national cohesion. This will promote fiscal balance and reduce intergovernmental tension. Agencies such as the Revenue Mobilization Allocation and Fiscal Commission (RMAFC), National Boundary Commission (NBC), and the Nigerian Maritime Administration and Safety Agency (NIMASA) should be strengthened through legislative backing, adequate funding, and capacity building. Enhanced inter-agency collaboration will reduce administrative overlaps, improve transparency, and ensure accurate derivation computations. The federal government should ensure transparent and timely disbursement of the 13% derivation funds to oil-producing states. Mechanisms for monitoring the utilization of these funds should also be strengthened through civil society oversight and audit reporting. This will improve accountability and development outcomes at the state level. Host and littoral communities must be included in decision-making processes concerning offshore oil production and revenue sharing. Policies that ensure direct fiscal benefits and environmental remediation should be implemented in line with the Petroleum Industry Act (PIA) of 2021. Such inclusion will reduce conflict and enhance local ownership of development initiatives. The federal and state governments, in collaboration with oil companies, should develop a comprehensive environmental remediation plan for communities affected by offshore exploration. Environmental justice should be institutionalized through compensation schemes, sustainable livelihood programs, and coastal restoration projects. To rebuild trust and cohesion, the federal government should initiate regular fiscal policy dialogues with state governors and regional leaders. These dialogues should focus on collaborative solutions to resource governance, revenue allocation, and economic diversification. Strengthening cooperative federalism will reduce policy conflicts and improve shared national development. Oil-producing states should invest in developing their institutional and human capacities for fiscal management, economic diversification, and accountability. Effective use of derivation funds and internally generated revenues will reduce overdependence on federal allocations and promote fiscal sustainability.