

Can the Somali National Oil Company (SONOC) Drive Somalia's Oil Boom? Evaluating its Role in Petroleum Sector Development

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Abstract

This study examines whether the Somali National Oil Company (SONOC) can effectively drive Somalia's anticipated oil boom and contribute to the sustainable development of the petroleum sector. The research aims to evaluate SONOC's current capacity, institutional role, and potential to manage hydrocarbon resources while safeguarding national interests and promoting economic growth. A qualitative research methodology is adopted, using a descriptive and exploratory design. The study relies on secondary data sources, including legal frameworks, policy documents, institutional reports, and academic literature. Comparative analysis of selected African National Oil Companies (NOCs) is also employed to identify best practices and derive lessons applicable to Somalia's context. The findings reveal that SONOC is currently non-operational due to incomplete institutional structures, particularly the absence of a formally appointed Board of Directors. This significantly limits its ability to lead or support petroleum sector development. However, the study finds that SONOC holds strong transformative potential if properly established, governed, and supported by clear institutional frameworks. The analysis identifies the hybrid NOC model as the most suitable approach for Somalia, as it balances state participation with private sector efficiency through strategic partnerships with international oil companies. The study concludes that while SONOC cannot presently drive Somalia's oil boom, it can become a central pillar of the petroleum sector if operationalised with strong governance, transparency, and institutional coordination. Timely establishment and strategic structuring of SONOC are therefore critical to ensuring effective resource management, enhancing state participation, and achieving sustainable and inclusive economic development.

Keywords: NOCs, IOC, POCs, SONOC, Hybrid

Introduction

The global petroleum industry remains a major driver of economic growth, particularly in developing countries with oil and gas resources. Somalia has recently attracted attention due to its largely untapped oil and gas potential, especially in offshore basins along its extensive coastline. (Abbott & McKinney, 2012). Renewed interest from international oil companies and

improvements in political stability have positioned Somalia as a frontier for petroleum exploration. (Copinschi, 2022).

The role of the National Oil Company is to manage and develop a country's oil and gas resources for national benefit. In this context, SONOC handles the state's commercial interests by managing participation in petroleum activities, overseeing the marketing of the state's share of petroleum, and managing related business operations. (Ahmed & Mukhongo, 2016). It also engages in exploration, production, and marketing, often with international partners, while supporting revenue management, monitoring industry activities, and advising on petroleum policy. Additionally, SONOC contributes to capacity building, technology transfer, and economic growth, ensuring the efficient and sustainable use of petroleum resources. (Akpokerere & Ekane, 2022).

The Somalia Petroleum Law of 2020 establishes the legal framework for the sector, mandating key institutions, including the Somali Petroleum Authority (SPA), the Somali National Oil Company (SONOC), and the National Resource Council. (Alagoz, 2023). The law also recognises the Ministry of Petroleum and Mineral Resources, the Inter-Ministerial Concessions Committee (IMCC), and regional petroleum bodies representing Federal Member States. Each institution has distinct roles: the Ministry oversees policy, regulation, licensing, and coordination with federal and regional entities, while the SPA functions as the regulatory authority, responsible for monitoring, enforcement, contract management, and institutional coordination. (Al-Mana et al., 2020).

These institutions are designed to ensure effective regulation, commercial participation, and coordination of petroleum activities. However, despite this institutional framework, critical gaps remain. Notably, the Federal Government has not yet appointed SONOC's Board of Directors, hence delaying its operationalisation and weakening the overall governance and management of petroleum resources in Somalia. (Azieva, 2013)

As a state-owned commercial arm, SONOC is mandated with safeguarding national interests, overseeing exploration and development, enforcing regulatory compliance, and coordinating with investors. (Baldé, 2021). Under Article 35(1) of the Petroleum Law, it may conduct operations directly or via competitive bidding. Globally, state-owned oil companies dominate the industry, playing roles in resource management, regulation, commercial participation, revenue generation, and capacity building. SONOC is expected to strengthen Somalia's control over hydrocarbons while enabling partnerships with international companies that provide the technology and capital needed for exploration. (Church, 2002).

State oil companies can drive economic growth through revenue generation, employment creation, foreign investment, and technology transfer. However, risks such as governance challenges and inefficiencies may hinder sustainable development if not properly managed. (Copinschi, 2022). Somalia's petroleum sector faces additional challenges, including weak institutional capacity, limited expertise, political instability, and inadequate infrastructure.

This study is motivated by increasing international interest in Somalia's petroleum potential and the urgent need to establish effective institutions to manage these resources. Despite the Petroleum Law (2020), the Somali National Oil Company (SONOC) remains non-

operational, limiting the country's ability to ensure state participation and maximise economic benefits. Given the early stage of exploration, this study examines SONOC's potential role in shaping Somalia's anticipated oil boom.

This study examines whether the Somali National Oil Company (SONOC) can drive Somalia's anticipated oil boom and support petroleum sector development. (Corkin, 2017). It emphasises that clearly mandated, appropriately structured and well-governed SONOC can ensure effective utilisation of oil and gas resources, strengthen state participation, and promote transparency. Through this role, SONOC is expected to shape the scale, sustainability, and overall success of Somalia's oil boom while contributing to inclusive economic growth.

This study argues that the Somali National Oil Company (SONOC) cannot currently drive Somalia's anticipated oil boom due to significant institutional limitations. However, it has substantial potential to play a central role in the sector if it is properly established, effectively governed, and supported by strong institutional frameworks and strategic partnerships. (Dannels, 2018).

Background of the Study

The petroleum industry has historically played a transformative role in shaping the economies of resource-rich countries, particularly in developing regions. Across Africa, state-owned oil companies such as the Nigerian National Petroleum Company, Ghana National Petroleum Corporation (GNPC), and Sonangol have been instrumental in managing hydrocarbon resources, generating government revenue, and fostering partnerships with international oil companies. These national oil companies (NOCs) often operate as both commercial entities and custodians of national interests, balancing profit-oriented objectives with broader economic development goals, including employment creation, technology transfer, and local content development. (Donwa et al., 2015).

In recent years, Somalia has emerged as a frontier region in the global energy landscape due to its significant untapped oil and gas potential, especially in offshore basins along its extensive coastline. Following decades of political instability and institutional collapse, the country has made gradual progress in rebuilding governance frameworks and attracting foreign investment. A major milestone in this process was the enactment of the Somalia Petroleum Law of 2020, which provides a comprehensive legal and regulatory framework for petroleum exploration, development, and production. (Dorić & Dimovski, 2018).

The Somali National Oil Company (SONOC) serves as the state's commercial and strategic arm in the petroleum sector, playing a central role in optimum resource management. By participating in petroleum operations and managing state equity, SONOC ensures that national resources are exploited efficiently and transparently. It promotes sustainable development by aligning petroleum activities with long-term economic goals, facilitating technology transfer, and building local capacity. (Gundel, 2020).

Although the Somali National Oil Company (SONOC) was established under the Petroleum Law of 2020, it remains non-operational due to incomplete institutional structures. While existing literature discusses Somalia's petroleum potential and governance challenges, there

is limited empirical research specifically examining SONOC's role, capacity, and effectiveness within the country's unique political and institutional context. (Horbah, 2020).

In particular, little attention has been given to how the absence of an operational SONOC affects petroleum sector governance, state participation, and engagement with international oil companies. Additionally, the extent to which Somalia's institutional weaknesses and political fragmentation may influence SONOC's future performance remains underexplored. (Lee & Lee, 2021).

This study addresses these gaps by assessing the implications of SONOC's non-operational status and evaluating its potential role in supporting sustainable petroleum sector development and national growth.

Scope of the Research

The geographical scope of this study is primarily focused on Somalia. It examines and evaluates the potential role of the Somali National Oil Company (SONOC) in driving petroleum sector development and contributing to the country's anticipated oil boom. The study further assesses SONOC's prospective contributions in key areas, including revenue generation and fiscal stability, employment creation and local content development, technology transfer and capacity building, as well as strengthening national control over natural resources.

Objectives of the Study

The main objective of this study is to evaluate the crucial and timely role of the Somali National Oil Company (SONOC) in driving the development of Somalia's petroleum sector. In particular, the study highlights that it is the right time to establish and operationalise SONOC, enabling Somalia to effectively promote and manage its petroleum resources, secure state participation, and maximise economic benefits. Specifically, the study aims to;

- a. To examine the most suitable model of a State Oil Company for Somalia, considering the country's political context.
 - b. Assess SONOC's potential role in promoting and managing Somalia's petroleum resources, safeguarding national interests, and encouraging sustainable economic growth.
 - c. Evaluate the potential economic impact of an operational SONOC, including revenue generation, employment creation, and attraction of foreign investment.
 - d. To outline SONOC's current mandate as well as explain the Somali National Oil Company's responsibilities;
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- ✓ Maximising the state's revenue
 - ✓ Ensuring supply security and delivering reasonably priced domestic energy
 - ✓ Supporting the national regulator of the country's resources and the execution of economic development.
 - ✓ Increasing knowledge of the oil and gas industry and ensuring skill and technology transfer.
 - ✓ Monitoring international partners' operations and overseeing contract compliance
 - ✓ Drafting an organisational chart and the development stages of the State Oil Company.
 - ✓ To explore the possible funding sources for the company, particularly in the early, crucial stage.

Significance of the Research

This study holds significant value for policymakers, investors, scholars, and stakeholders in Somalia's petroleum sector. Firstly, it provides a detailed evaluation of the potential role of the Somali National Oil Company (SONOC) in managing the country's hydrocarbon resources, safeguarding national interests, and contributing to economic development. By examining the functions, responsibilities, and operational models of SONOC, the study offers insights into how a state-owned oil company can be structured to maximise state revenue, ensure supply security, and support domestic energy needs. (Madugba et al., 2016).

Secondly, the research contributes to understanding how SONOC can facilitate sustainable growth by promoting local content, generating employment, fostering capacity building, and attracting foreign investment. It highlights the importance of strategic partnerships with international oil companies and the transfer of technical expertise necessary for Somalia's petroleum sector development. (Mihalik et al., 2022).

Thirdly, the study addresses a critical knowledge gap in Somalia's energy governance by providing empirical evidence on the challenges and opportunities associated with establishing an effective state oil company in a fragile political and institutional context. This information can inform government decision-making, guide international investors, and serve as a reference for future research on the role of national oil companies in post-conflict or frontier markets. (Ngoasong, 2014).

Finally, the study underscores the broader economic and social implications of operationalising SONOC. By evaluating how the company can drive sustainable and inclusive growth, the research supports efforts to ensure that Somalia's emerging oil industry contributes to national development rather than perpetuating governance weaknesses or resource mismanagement.

Literature Review

The literature emphasises that National Oil Companies (NOCs) function both as commercial entities and as custodians of national resources. They enable governments to promote and manage hydrocarbon resources, generate revenue, foster economic development, and facilitate technology transfer through partnerships with international companies. (Noreng, 2021). The effectiveness of an NOC is determined by its mandate, governance structure, sources of income, and operational strategies, while its success is further influenced by legal frameworks, institutional capacity, transparency, and alignment with national development objectives. (Obeng Dappah, 2024). In this study, the literature identifies key areas that must be considered prior to establishing the Somali National Oil Company (SONOC), including:

- a. Economic and Social Contributions of National Oil Companies.
- b. The global role of NOCs and their relevance to define SONOC's mandate in Somalia
- c. Comparative lessons from a number of NOCs in Africa

Economic and Social Contributions of National Oil Companies

National Oil Companies (NOCs) are state-owned enterprises operating in the petroleum sector. Their objectives and behaviour are shaped by political, economic, and historical contexts. The establishment and management of NOCs reflect government intervention in strategic industries, influenced by both external factors, such as geopolitics and global market

conditions, and internal priorities, including state objectives and social policies. (Okeke et al., 2023).

The petroleum industry gained strategic and economic significance in the early 20th century, driven by the growth of the automotive sector and broader industrialisation. Initially, oil production and distribution were dominated by private oil companies (POCs), such as Standard Oil and Shell, operating primarily in market-driven frameworks. (Oladepo, 2014).

The emergence of NOCs coincided with waves of nationalisation, as governments sought to increase state revenue and exert control over strategic resources. Early NOCs were established to reclaim national control over oil production, ensure energy security, and counterbalance the influence of foreign companies. (Oxford Analytica, 2021).

From the late 1970s onward, inefficiencies in state-owned enterprises prompted reforms in several countries, including liberalisation and partial privatisation, including the British National Oil Company (BNOC) and Argentina's YPF. (Pirog, 2007).

Since 2000, high oil prices and geopolitical dynamics have strengthened the bargaining power of exporting states. This has led to renewed nationalisation and the expansion of NOCs in emerging oil-producing countries, reflecting both economic strategy and geopolitical considerations. (Sabre & Ahmad, n.d.).

NOCs act as key drivers of national revenue and industrial development, though their operational efficiency often differs from that of their private counterparts. Key functions include:

- ✓ **Revenue Generation:** NOCs are primary sources of government income. Between 2011 and 2013, oil sales by the top 10 NOCs in sub-Saharan Africa accounted for approximately 56% of combined government revenues.
- ✓ **Market Control:** State-owned enterprises dominate the global petroleum landscape, controlling around 75% of global oil production and 90% of oil reserves.
- ✓ **Commercial Performance:** While they play a strategic role, NOCs generally record lower profits per employee compared to international oil companies (IOCs), reflecting differences in operational efficiency and commercial focus.

Governments create and maintain NOCs to achieve multiple strategic, economic, and social objectives, including;

- ✓ **Historical and Political Context:** Reclaim national control over previously foreign-dominated resources.
- ✓ **Strategic Importance:** Petroleum is a “commanding heights” industry critical to economic stability and national security.
- ✓ **Political Gains:** Direct control allows governments to influence pricing, employment, resource management, and international negotiations.
- ✓ **Efficiency and Monitoring:** NOCs help reduce information asymmetries with POCs, improving regulatory oversight and benchmarking.
- ✓ **Financial and Budgetary Considerations:** Autonomy enables better investment decisions, cost management, and revenue generation for the state budget.

- ✓ **Socioeconomic Objectives:** NOCs contribute to broader national development, including job creation, infrastructure expansion, and social programs.

The Role of the National Oil Company globally

National Oil Companies (NOCs) emerged in the early twentieth century as governments recognised the strategic importance of petroleum, with their expansion accelerating during the 1960s and 1970s due to decolonisation, the formation of OPEC, and resource nationalisation.

NOCs perform dual roles as both commercial enterprises and instruments of state policy. Commercially, they operate across the petroleum value chain, such as exploration, production, refining, and marketing, to generate revenue. As custodians, they manage hydrocarbon resources, enhance energy security, and support national development through employment creation, infrastructure development, and technology transfer. (Sileyew, 2019). NOCs vary in structure and scope. Fully integrated NOCs operate across the entire value chain, while others are upstream-focused, downstream-oriented, or function as non-operating holding companies managing state investments. Some adopt hybrid models that combine commercial and regulatory functions, and many have expanded internationally to diversify assets. (Sunley et al., 2003).

In developing countries, particularly in Africa, NOCs are central to resource sovereignty and economic development. They strengthen state control over natural resources, increase public revenue, and promote capacity building and industrialisation. Overall, NOCs are hybrid institutions whose effectiveness depends on their ability to balance commercial performance with national policy objectives. (Tordo et al., 2011).

Table 1

Classification of National Oil Company (NOC) Operational Models

Model	Primary Focus	Example
Fully Integrated	Operates across the entire value chain (well-to-pump).	Sonangol, NNPC
Upstream Focused	Concentrates on exploration and extraction.	GNPC
Non-Operating/Holding	Manages state investments without physical drilling.	Investment-focused NOCs
Hybrid	Combines commercial operations with regulatory oversight.	Petrobras, Ghana

Comparative lessons from NOCs in Africa

This section provides an analysis of National Oil Companies (NOCs) across selected African countries, including Sonangol (Angola), Ghana National Petroleum Corporation (GNPC), the Nigerian National Petroleum Corporation (NNPC), and PetroSA (South Africa), focusing on their mandated roles, functions, operational performance, and overall effectiveness. By examining both well-performing and underperforming NOCs, this study seeks to derive lessons that can guide the design and establishment of an effective National Oil Company for Somalia, taking into consideration the country's unique political, institutional, and socio-economic context.

National Oil Company in Sonangol

Sonangol, established in 1976, has historically functioned as a fully integrated national oil company, combining regulatory authority with commercial operations across the upstream, midstream, and downstream petroleum sectors. Its primary mandate is to manage the country's petroleum resources, which includes granting exploration rights, overseeing production, ensuring regulatory compliance, collecting government revenues, and managing refining, distribution, and strategic investments across the petroleum sector. Sonangol has also partnered with major international oil companies, including TotalEnergies, Chevron, and BP, to advance exploration and production activities. Furthermore, Sonangol E.P. retains a statutory preferential right to acquire up to a 20% participating interest in petroleum operations. This provision ensures the company's direct involvement in key projects, thereby strengthening state participation and reinforcing national control over the development and management of the oil and gas sector. (Tsikata, 2022).

In terms of performance, Sonangol continues to generate substantial revenues and remains the backbone of Angola's public finances. However, revenue efficiency has weakened due to high operational expenditures and quasi-fiscal obligations. Production levels remain significant through partnerships with international oil companies, but have declined in recent years due to maturing oil fields. Transparency has historically been limited, though recent reforms have improved financial reporting and clarified institutional roles. Governance remains a key concern, with past political interference and institutional overlap constraining performance; nonetheless, reforms since 2016 have sought to strengthen accountability and corporate governance.

Table 2

Performance Indicators of Sonangol

Indicator	Assessment
Revenue (Collection vs. Management)	Sonangol historically played a dual role as both operator and concessionaire, managing oil revenues on behalf of the state. Oil accounts for about 75% of Angola's government revenue. Inefficiencies and quasi-fiscal activities have affected effective revenue management. Reforms since 2019 aim to separate regulatory and commercial functions and improve governance.
Production (2011–2025)	High but declining overall. Angola's oil production fell from around 2 million barrels/day in 2011 to about 1.03 million barrels/day in 2025, mainly due to ageing fields. Sonangol produces mainly through joint ventures, with its own output around 217,000 barrels of oil equivalent/day in 2025. Recent projects indicate attempts to boost long-term production.
Capacity Building	Sonangol contributes to workforce development through partnerships and training initiatives. Local expertise in upstream operations has improved, but reliance on foreign operators for complex projects limits the development of full capacity.
Technological Improvement	Advancements are achieved through partnerships with multinational companies, including deepwater projects, FPSO systems, and gas infrastructure. Sonangol's independent technological capability is limited.

Ghana National Petroleum Corporation (GNPC)

The Ghana National Petroleum Corporation (GNPC), established in 1983 under PNDC Law 64, manages Ghana's hydrocarbon resources and represents the state in petroleum agreements. The functions of GNPC are to conduct exploration activities, develop oil and gas fields, and participate in production through joint ventures and partnerships, balancing operational activities with strategic roles like managing government equity and attracting investment. This model reduces risk and supports policy objectives but limits commercial scale and technical capacity. GNPC also contributes to national revenue, advises the government on petroleum policy, promotes technological innovation, and supports oil- and gas-related infrastructure projects. The Ghana National Petroleum Corporation typically holds a carried interest of about 15% during exploration and early development, without bearing initial costs. GNPC has played a significant role in the development of Ghana's oil sector, particularly following the Jubilee Oil Field discovery, contributing to investment inflows and revenue generation. However, its overall performance remains moderate due to declining production, evolving institutional responsibilities, and pressures associated with the global energy transition.

Financially, GNPC generates stable but moderate revenues, largely derived from carried and participating interests, with a share transferred to the state under petroleum revenue frameworks. Its production levels are relatively low, reflecting its role as a non-dominant operator. In contrast, GNPC demonstrates comparatively high transparency, supported by strong disclosure practices and oversight institutions such as the Public Interest and Accountability Committee and the Extractive Industries Transparency Initiative. Governance structures are generally robust, although challenges remain regarding political influence and operational efficiency.

Table 3

GNPC Performance Overview (2011–2025)

Indicator	Description
Revenue (Collection vs. Management)	Moderate and stable. GNPC primarily manages and participates in petroleum revenue through carried and participating interests rather than directly collecting all revenues. Its role is more of a commercial partner and asset manager, while revenue collection is shared with other state institutions.
Production (2011–2025)	Low to moderate. GNPC mainly operates as a non-operator partner in major oil fields. Production increased between 2011 and 2020 due to Jubilee, TEN, and Sankofa fields, and has remained relatively stable from 2021 to 2025, though constrained by limited discoveries and declining output in mature fields.
Capacity Building	Strong and improving. GNPC invests in training programs, scholarships, and institutional development to build local expertise in petroleum engineering and management, contributing significantly to human capital development.
Technological Improvement	Moderate. GNPC benefits from technology transfer through partnerships with international oil companies. However, it still relies heavily on external partners for advanced technologies, with limited in-house innovation capacity.

Nigerian National Petroleum Corporation (NNPC)

The Nigerian National Petroleum Company Limited (NNPC), established in 1977 and commercialised under the Petroleum Industry Act, manages Nigeria's petroleum resources across the upstream, midstream, and downstream sectors. It represents the state in joint ventures and production-sharing contracts, supporting energy security and contributing to national revenue.

Pursuant to Section 85(4) of the Petroleum Industry Act 2021, NNPC's participating interest is defined by its equity stake—typically ranging between 55% and 60%—in petroleum joint ventures. This equity participation entitles the company to a commensurate share of production, revenues, and associated costs, reflecting its central role in the ownership and operation of Nigeria's oil and gas assets.

The functions of NNPC include conducting geological surveys for oil and gas, engaging in drilling and crude oil production through joint ventures and partnerships, and operating refineries to process crude oil. It also collects and remits oil revenues, taxes, and royalties to the government and manages production-sharing contracts.

Table 4

Performance of Nigerian National Petroleum Company (NNPC)

Indicator	Description
Revenue (Collection vs Management)	Very high; primarily manages and distributes national oil revenue rather than independently collecting it. NNPC plays a central fiscal role, contributing significantly to government income through oil and gas exports.
Production (2011–2025)	Moderate but fluctuating with long-term decline trends. Production decreased since the early 2010s due to oil theft, underinvestment, and infrastructure challenges, with recent recovery to ~1.5–1.6 million barrels/day.
Capacity Building	Moderate; improving through reforms and partnerships. Institutional restructuring under the Petroleum Industry Act and collaborations with international oil companies have enhanced capacity, though inefficiencies remain.
Technological Improvement	Moderate; gradual progress with focus on gas infrastructure and operational systems. However, ageing infrastructure and slow adoption of advanced technologies remain constraints.

Research Methodology

This study examines the potential of the Somali National Oil Company (SONOC) to drive Somalia's oil boom. The Somali Petroleum Law outlined the establishment of SONOC, and the Federal Government has yet to appoint its Board of Directors, delaying the company's operationalization. This is a timely opportunity to fully establish SONOC due to the renewed interest of international oil companies in Somalia's oil and gas sector. This study adopts a qualitative research design, complemented by descriptive and exploratory approaches. The qualitative methodology allows for an in-depth examination of institutional, governance, and

operational challenges, while the exploratory component facilitates the identification of best practices and lessons from other national oil companies (NOCs) across Africa. (Victor, 2013). The research relies predominantly on secondary data sources, including legal frameworks, policy documents, institutional reports, and academic literature. (Olabode, et.al. 2019). Document analysis and comparative review serve as the principal methods of inquiry, enabling a systematic evaluation of the chosen appropriate model of the Somali National Oil Company.

Research Design

This study employs a qualitative research design to examine how the Somali National Oil Company drives the oil boom. A qualitative approach is suitable for analysing the global role of National Oil Companies, Types of National Oil Companies based on mandated role, and the functions. (Wariri, 2026).

The research adopts a document-based qualitative content analysis, drawing on secondary data from government policies, legal frameworks, institutional reports, and petroleum sector publications. These sources are supplemented by reports from the Natural Resource Governance Institute and the Resource Governance Index. (Webersik et al., 2018)

Source of Data

The data used in the study relies on secondary data sources, including:

- ✓ **Documentary analysis:** Examining legal documents, government reports, Natural resource governance reports, Somalia petroleum laws 2020, policy papers for understanding the legislative and institutional context of SONOC.
- ✓ **Comparative case study:** Analysis of selected African NOCs to draw lessons for SONOC in areas such as revenue generation, operational models, transparency, and capacity building and the enhancement of local content.
- ✓ **Expert consultation:** Gather comprehensive discussions with Petroleum expertise, legal experts, and economists through face-to-face and secondary literature to assess the timely establishment of SONOC and how to drive the oil boom in Somalia.

Findings of the Research

This study evaluates the role of the Somali National Oil Company (SONOC) in driving a potential oil boom in Somalia. The findings show that SONOC is currently unable to perform this role due to its non-operational status, primarily caused by the absence of a clear institutional and governance framework.

Despite this limitation, the study confirms that a well-structured National Oil Company is essential for effective resource management and long-term sector development. SONOC has strong transformative potential if key conditions are met, including institutional clarity, good governance, financial capacity, and strategic partnerships with international oil companies (IOCs).

This study contributes to the literature by analysing SONOC within Somalia's unique institutional context, which remains underexplored. It evaluates African national oil company models and identifies a hybrid model as most suitable for Somalia. Additionally, it provides

practical policy recommendations on governance, institutional design, and operational strategies, bridging the gap between theory and practice in emerging petroleum economies. The findings identify the present period as an opportune time to establish SONOC, given increasing petroleum exploration activities, particularly offshore. Early establishment would provide several benefits:

- ✓ Securing national participation
- ✓ Improving contract negotiation and protecting fiscal terms
- ✓ Enhancing access to data and technical knowledge
- ✓ Promoting transparency and cost efficiency

In light of these findings, the study concludes that the Government of Somalia should prioritise the formal establishment of SONOC. However, its effectiveness will depend on adopting an appropriate operational model, ensuring robust revenue management systems, and developing a clear institutional structure.

The analysis identifies a hybrid NOC model as the most suitable framework for Somalia. Fully integrated models require advanced technical and institutional capacity, which Somalia currently lacks, while purely non-operating models limit state control and revenue generation. A hybrid model offers a balanced approach by combining commercial participation through equity stakes and joint ventures with custodial and oversight functions. This enables gradual capacity development while maintaining strategic state involvement.

Petrobras operates a hybrid NOC model, combining state control with private participation, while Norway manages an advanced hybrid system through Equinor, retaining state oversight and partnering with private firms for efficiency and technology.

Furthermore, the findings emphasise the importance of strategic equity participation. SONOC should initially adopt a carried interest of approximately 15–20% in upstream projects, with the flexibility to increase its stake following commercial discoveries. This approach allows the state to benefit from early revenues and influence key decisions without incurring excessive financial risk.

In terms of revenue management, the findings underscore the need for close coordination between SONOC and the Ministry of Finance to ensure transparent, efficient, and development-oriented utilisation of petroleum revenues, while avoiding quasi-fiscal activities.

Furthermore, the study recommends a phased operational approach. SONOC should begin with minority participation in joint ventures and gradually expand its operational role as technical and institutional capacity improves.

In conclusion, the hybrid NOC model is the most suitable option for Somalia given its current political, institutional, and economic constraints. It enables the Somali National Oil Company to maintain strategic oversight while relying on international partners for technical operations, thereby balancing control with limited capacity and supporting gradual capacity building.

Importantly, the model helps reduce political mistrust between the federal government and member states by positioning SONOC as a coordinating and commercial entity rather than a dominant operator. It also supports transparent and flexible revenue management through shared participation and structured agreements. Overall, the hybrid model offers a practical pathway for sustainable sector development, improved governance, and enhanced revenue generation.

Conclusion

This study evaluates whether the Somali National Oil Company (SONOC) can drive Somalia's anticipated oil boom. The findings indicate that SONOC is currently non-operational, which significantly constrains its present capacity to support or lead the development of Somalia's petroleum sector.

Nevertheless, SONOC holds substantial strategic importance and long-term potential. If properly established, operationalised, and governed, it could play a central role in managing Somalia's hydrocarbon resources and advancing sustainable economic development. The study identifies the hybrid National Oil Company (NOC) model as the most suitable institutional approach for SONOC, as it would enable the company to balance state participation with private sector efficiency through joint ventures and partnerships with international oil companies. Under this model, SONOC can participate commercially in petroleum operations while supporting strategic state oversight through coordination with regulatory institutions and adherence to national petroleum governance frameworks, without compromising the independence of sector regulators.

Furthermore, the study underscores that SONOC's effectiveness will depend heavily on strong governance structures, institutional transparency, and effective coordination among petroleum sector institutions. In the absence of these safeguards, common risks associated with state-owned enterprises—such as inefficiency, political interference, and weak accountability—may undermine SONOC's ability to contribute meaningfully to sector development.

In conclusion, while SONOC is not currently in a position to drive Somalia's oil boom due to its non-operational status, it has the potential to become a key driver of petroleum sector growth once operationalised. Given the ongoing exploration activities in Somalia, the timely establishment of SONOC is increasingly important to ensure state participation from the early stages of sector development. With robust institutional frameworks, sound governance, and a clear strategic vision, SONOC can play a decisive role in shaping the scale, governance, and long-term sustainability of Somalia's emerging oil industry.

Recommendation

Based on the findings of this study, the following recommendations are proposed to the government of Somalia to enhance the effective utilisation of the oil and gas sector and to ensure the efficient performance of the Somali National Oil Company (SONOC).

- ✓ Immediately establish the SONOC Board.
- Appoint independent, skilled members following the Petroleum Law (2020) to ensure accountability and strategic leadership.

- ✓ Appoint independent, skilled members in accordance with the Petroleum Law (2020) to ensure accountability and strategic leadership.
- ✓ Adopt a hybrid NOC model with a separate institutional mandate, which combines state equity participation, oversight, and partnerships with international oil companies for technical and operational expertise.
- ✓ Clearly define the roles of the Ministry of Petroleum and Minerals, Somali Petroleum Authority (SPA), and SONOC to avoid overlap and responsibility gaps.
- ✓ Establish a clear and reliable early-stage revenue source, as well as implementing strong financial management.
- ✓ Establish transparent accounting, reporting, and independent auditing systems in line with international standards.
- ✓ Create and maintain mechanisms for effective coordination between the federal government institutions and those of the federal member states.
- ✓ Develop clear petroleum revenue management mechanisms.
- ✓ Ensure transparent collection, allocation, and fiscal management to promote stability and fairness.
- ✓ Avoid quasi-fiscal roles for SONOC.
- ✓ Maintain focus on commercial operations and resource efficiency rather than non-core financial activities.
- ✓ Plan for knowledge and technology transfer
- ✓ Integrate structured frameworks within IOC partnerships to build local capacity and expertise.
- ✓ Promote local content policies and domestic oil supply obligations.
- ✓ Support employment, skills development, and domestic business participation in the petroleum sector.

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